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NETFLIX AND CHILL: WELCOME TO THE NEW ERA OF TV

OYSTER PERPETUAL 39

from the editor

JANA MARAIS

I gave away my television about five years ago when I moved to a flat on the 11th floor in the Joburg CBD and couldn't, despite my best efforts, get proper reception. By and large, I haven't really missed it – my desire to be up-to-date with any big news story is fully satisfied by Twitter and various news apps, and I binge-watch series and movies on my laptop at my convenience and without any distractions from advertisers. The only challenge is watching live sports, which is why companies like MultiChoice are willing to pay a fortune for exclusive rights (and why many customers will continue paying for DStv).

As Jon Pienaar writes in his article on video-on-demand (VOD), starting on page 28, television has traditionally been "appointment viewing" – viewers are locked into watching what broadcasters have purchased, and when the broadcaster decides to screen it. VOD turns that on its head, giving control to the viewer. VOD has really started taking off in SA in the past year, and more competitors are expected to enter the market. With uncapped broadband and fibre options becoming available and affordable for an increasing number of households, consumers are about to be spoilt for choice.

This is great news for the customer, but terrible for the companies who have to make a living selling and broadcasting content. Global asset management firm Sanford C. Bernstein warned clients in a research note in August that it believes the US television industry is entering a period of prolonged structural decline, with viewers moving from ad-supported platforms to non-ad-supported, or less-ad-supported, platforms. Investors in the media industry should also rethink the way they value companies in the media industry, as the two major streams of revenue – pay subscribers and advertisers – are under pressure, Sanford C. Bernstein said.

As in many other industries – from print media to financial services – the internet is driving disruption, giving more and more power to consumers, and leaving managers at wits' end to try and adapt traditional business models and find new revenue streams.

Times of disruption also present great opportunities. From a news media perspective, some of the innovators I'm keeping an eye on include Business Insider, Quartz, Facebook and Vox. And while we wait for Netflix to arrive, I'll keep doing my part to keep the local video store open. ■

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opinion

By Andile Ntingi

SMALL BUSINESS

Looking to Germany for entrepreneurial inspiration

Contrary to popular belief, big-name companies aren't the ones contributing the most to Germany's economy. This honour falls to small firms with fewer than 500 employees. What can South Africa learn from Europe's biggest economy?

Are SA's small-, medium-, and micro-sized enterprises (SMMEs) capable of rising to the challenge of doubling their roughly 45% contribution to the economy to emulate their highly entrepreneurial German counterparts?

At the moment, SMMEs contribute roughly 45% to the local economy, but the government wants the figure to double to 90% by 2030 in terms of its National Development Plan goals. Unlike many other economies around the world, the South African economy is dominated by large corporations and government institutions, making life difficult for small businesses. In addition there are extremely low levels of entrepreneurial activity in SA, compared with other developing markets.

An example to learn from

If it is to boost the participation of SMMEs in its economy, SA will have to closely study Germany, where small businesses lead the economy instead of big businesses. While Germany is famous for brands like BMW, Mercedes-Benz and SAP, the driving force behind the European country's economic success is small businesses, better known in Deutschland as the *Mittelstand*.

Professor Michael Woywode, director of the Centre for SMME research at the University of Mannheim, told delegates at a recent colloquium in Johannesburg that Mittelstand firms are the backbone of the German economy, contributing over 95% to formal employment.

The Mittelstand firms, which employ between 10 and 499 people, contribute 55.2% to German taxes and train 82.4% of apprentices, ensuring that German companies have an abundant supply of young skilled professionals.

"Around 1 300 German SMMEs are world leaders in their markets and have positioned themselves successfully in market niches. The biggest export market for German companies is China and these companies understand that they are in international competition," Woywode said.

Being export-orientated has enabled the Mittelstand firms to increase their export revenue to €186.1bn in 2010 from €143.7bn in 2000, a jump of 22.7%.

"During the recession when the credit crunch hit, German SMMEs focused on saving money and looking for international markets to generate revenue. Right now in Germany, we are seeing an increase in self-finance by the SMMEs. They are financing themselves from cash flows rather than credit. Alternative forms of financing like venture capital and private equity are used hesitantly in Germany," Woywade explained.

Increasing the output of small local businesses

SA's SMME sector is far from achieving, or even catching up with, the strength and resilience of its German counterpart.

However, small business development minister Lindiwe Zulu is determined to increase the influence of SMMEs in the economy and has identified five key areas that can help unleash the potential of the sector.

The five key areas are:

- Unleashing state procurement to buy from SMMEs;
- Boosting market access for SMMEs in the private sector;
- Simplifying policy and regulatory environment;
- Improving access to finance; and
- Increasing support for township and rural businesses.

Lindiwe Zulu
Minister of small business development

"Around 1 300 German SMMEs are world leaders in their markets and have positioned themselves successfully in market niches."

Zulu will need the cooperation of big businesses to open up their supply chains to small businesses if she is to achieve her five-point plan. "I have consistently maintained that we should proceed from the premise that supporting small businesses and cooperatives is not a philanthropic gesture on the part of big business," she said. "The diversification of supply chains assists big business to have a wider choice of suppliers from SMMEs and promotes innovation within the value chain."

To increase the exposure of small black companies to public sector procurement, Treasury has released proposed amendments to the Preferential Procurement Policy Framework Act (PPPFA) to ring-fence tenders valued up to R10m for black suppliers after calls by black business lobby groups for the state to set aside 30% of government tenders for black companies and small businesses.

However, the powerful Black Business Council rejects the R10m threshold for set-asides, arguing that it will confine black businesses to minuscule portion of the economy.

Despite the battle ahead over the procurement set-asides, Zulu's department is pressing ahead with reviewing the incentive programmes for small businesses that it inherited from the department of trade and industry. Although she has not made any pronouncements at this stage, some of these incentives may be discontinued, scaled down, or enlarged to meet the needs of SMMEs.■

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Andile Ntingi is a journalist and the founder of Getbiz.co.za, an e-procurement service.

By Nicola Kleyn

BUSINESS IN SOCIETY

Lessons from a radical innovator

Cardiac surgeon Dr Devi Prasad Shetty launched his own low-cost healthcare chain in Bangalore, India after realising that of the 2m Indians that needed heart surgery each year, 1.9m could not afford it. His unbelievable business model holds profound lessons for companies in South Africa.

Business is often quiet when it comes to speaking out on social issues; maybe we forget that we operate within society and not around it?

This point was driven home for me recently when I accompanied the Gibs MBAs to India and, encouraged by the head of our India-Africa Business Network, Abdullah Verachia, we paid a visit to Narayana Health. This low-cost healthcare chain was started by cardiac surgeon Dr Devi Prasad Shetty in 2000 and today boasts 6 594 beds across 31 hospitals in 19 towns.

During a 2013 TEDxGateway discussion, Shetty explained his motivation: that Indians are genetically three times more vulnerable to heart attacks than the rest of the world's population and they develop heart problems at an earlier age. He said that of the 2m Indians who needed heart operations each year, some 1.9m could not afford the treatment. This despite the fact that India's government spends some 1.1% of GDP on healthcare, a figure which Shetty says is "slightly more than sub-Saharan African countries".

Dr Devi Prasad Shetty
Narayana Health

The state-owned Sri Jayadeva Institute of Cardiology (SJIC) in Bangalore, India.

Helping those who need it most

So, sick of "putting a price tag on human life", he launched his own healthcare model. He convinced the state government to launch a health insurance and they "convinced 1.7m farmers to contribute five rupees per month [about R1] and government agreed to become the reinsurer. In 10 years, 60 000 farmers had heart operations, all because of the power of five rupees a month."

In 2015 the World Health Organization awarded Narayana its Public Health Champion Award for innovation. The group has been recognised for operational excellence and customer service, for brand excellence and for corporate responsibility. There are ample reasons why: Over and above the impressive 80-bed dedicated post-op paediatric cardiac ICU, which I saw first-hand in Bangalore, the group has moved into tele-medicine and also rolled out tele-radiation, which allows you to obtain a diagnosis from one of their India-based radiographers. A speciality procedure like in-vitro fertilisation, which will cost you R250 000 in South Africa, carries a bill of R25 000 at Narayana.

The Narayana model involves 40% of patients paying the regular rate and 60% of patients paying less. Some pay nothing.

The Narayana model involves 40% of patients paying the regular rate and

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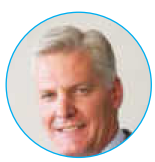
of patients paying less. Some pay nothing.



André de Ruyter
CEO of Nampak

Lessons for SA business

This is the most unbelievable business model and it has profound lessons for companies in South Africa and across Africa. Narayana is business thinking at its best. Yes, it is about frugal innovation but it is also about accessible leadership. Although I wasn't privileged to meet Shetty, some of the MBAs who visited the hospital previously had the opportunity to have an informal discussion with Shetty as he came out of surgery. He was still wearing his scrubs but sat down and chatted with our MBAs, who came away with a sense of the spirit and commitment to adding value which resonates throughout this organisation. We could be replicating this approach in South Africa; we certainly have the means.

André de Ruyter, CEO of Nampak, spoke at Gibs earlier this year and, in the course of his presentation, he made the point that there is fat in our value chains. The difficult question business faces in South Africa, where there are so many historical imbalances to rectify, is whether they should cut out this fat only for the benefit of shareholders? Or should they apportion an appropriate amount to inspire and, with any luck, change the world?

As a business school you can't re-engineer all these value chains and make these changes, but you can celebrate milestones and hold up companies like Narayana as models from which to learn. Certainly the biggest thing that struck me after my visit was the importance of questioning every aspect of the business value chain to deliver at low cost while retaining quality. This takes radical innovation, but it's also about harnessing the power of committed people with acumen.

While many of us in Africa sit on our hands, Shetty already has our continent in his sights. He sees the potential here and is on record as saying that he hopes to roll out a larger hospital chain in Africa as well as in the Caribbean region, Latin America and Asia.

Maybe we don't always see these opportunities because we cut ourselves off from recognising the considerable role business has to play in society. A model like Shetty's requires a deep and profound understanding of the environment in which business operates, it needs a sense of purpose which goes beyond pure shareholder returns and it involves radical innovation across the value chain. Plus it requires that we listen; the hardest job of all. ■

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Prof. Nicola Kleyn is dean of the University of Pretoria's Gordon Institute of Business Science (Gibs).

Gallo Images/ iStock Images

in brief

"THE SOUTH AFRICAN ECONOMY HAS LOST MOMENTUM OVER THE PAST TWO YEARS AND REMAINS ON THE CUSP OF A RECESSION."

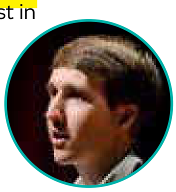
Stanlib economist Kevin Lings warns about the state of the economy following the release of the Reserve Bank's leading economic indicator (LEI) for September. On an annualised basis, the LEI, which is used to foretell economic growth rates an estimated three quarters in advance, has been contracting for 23 consecutive months. The indicator takes into account factors such as the number of new passenger vehicles sold, number of building plans approved, commodity prices and business confidence levels.

"Whenever I go past a video store I take my kids in, so that they can tell their children one day that they could go into these places where one rented physical movies."

– **Arthur Goldstuck,** managing director of World Wide Worx, discussing the rise of video-on-demand services in an interview with *finweek*. (Also see page 28.)

"I'm looking for that sweet spot. How do we improve society through these investments? How can we be creative with capital to address some of the greatest human needs?"

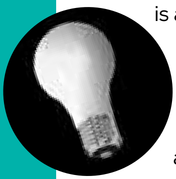
– **Howard Warren Buffett,** grandson of billionaire investor Warren Buffett, explains the vision of his new company i(x) Investments in an interview with the *New York Times*. He plans to invest in companies that are working on issues such as clean energy, sustainable agriculture and water scarcity, hoping to eventually make investments worth $100m (R1.4bn) a year and file for an initial public offering by 2020.



ESKOM'S FORTUNES IMPROVE

R11.3bn

Electricity utility Eskom reported a 22% increase to R11.3bn in net profit for the six months to end September. However, its improved finances are partly thanks to a R10bn capital injection from government and the conversion of a R60bn loan to equity. It expects a further R13bn equity injection from government before the end of March 2016. Eskom is also asking the regulator Nersa for a tariff increase of nearly 17% next year rather than the 8% that has already been approved.



STRONGER US GROWTH

2.1%

The US economy grew at 2.1% on an annual basis in the third quarter, higher than the 1.5% the Commerce Department initially reported, according to Reuters. The stronger growth is expected to strengthen the case for an interest rate hike for the first time in nearly a decade when the US Fed meets in December. The higher growth rate is attributed to upward revisions to business spending on equipment, less aggressive efforts by businesses to reduce high inventory levels, and an investment in home building, Reuters reported.

DOUBLE TAKE

BY RICO

SANLAM BETS ON NORTH AFRICA

30%

In one of its biggest transactions to date, Sanlam is acquiring a 30% stake in Morocco-based Saham Finances, which operates in 26 countries in Africa and the Middle East and writes mostly non-life business. Sanlam and its subsidiary Santam will pay $375m (about R5.28bn) for the stake in Saham, one of the largest insurers in Africa with a network of over 650 branches and more than 3 000 staff members. On completion of the deal, Sanlam Emerging Markets will hold 75% and Santam 25% of the stake through a special purpose vehicle, Sanlam said.

THE GOOD

Miners shot down, the multiple award-winning documentary film **about the violent strike at Lonmin's Marikana mine** in 2012 that led to more than 44 deaths, including 34 at the hands of police, has **won the International Emmy award for best documentary.** The film was directed by Rehad Desai and written by Anita Khanna, and includes interviews with survivors. Despite the international acclaim, the **SABC refuses to air the film.**

THE BAD

Of the **468 state entities** covered in the Auditor-General's latest report, **only 131,** or an unacceptable **28%, managed to get a clean audit** for the 2014/15 financial year. While it is a slight improvement on last year's 26%, it is unacceptable that the bulk of **state entities** – sitting with a **combined budget of over R1.1tr – still can't fully account for what they're doing with taxpayers' money.**

THE UGLY

We may have avoided a recession in the third quarter, with **GDP growth** reported at a **modest 0.7%** quarter-on-quarter, compared with the 1.3% contraction in the second quarter. But Stanlib warns that **SA will struggle to lift its growth rate to over 2% over the next few years** given the electricity, labour and low-confidence constraints. For this year, **GDP growth** of 1.4% is expected, **slowing to 1.1% next year.**

A long road ahead

I have long said that the scariest thing about being in Nigeria is being on the road. Between the corrupt police, the decrepit road surface, the occasionally dramatic weather (especially around the Niger Delta), the trade in counterfeit tyres, the age and roadworthiness of the average vehicle, the traffic and the daring of most drivers (all desperate to get from A to B in less than five hours), there are few places more frightening to drive.

Last week for the first time I took on the Lagos-Ibadan Expressway, a near-80 mile (128km) road connecting the southern commercial capital with Ibadan, said by some to be one of the biggest cities in Africa by geographical spread and a major centre of commercial activity for the southwest of the country. This should be a road in fine repair, enabling people to easily get from one city to the other for work or to see family. Instead it's a patchwork mess of potholes, occasional stretches of smooth surface, tattered verges and perilous lane control – at some points it's unclear who is going in which direction on which side of the road; the only way to know you were correct is when you make it out alive (it's somehow appropriate that there are many churches visible from the roadside, because goodness knows we're all praying for deliverance as we go along).

In some ways the expressway is a metaphor for all the work Nigeria's new(ish) government needs to do to get the country into a workable state.

In some ways the expressway is a metaphor for all the work Nigeria's new(ish) government needs to do to get the country into a workable state. In others it's a unique disgrace, even within the context of Nigeria's chaotic infrastructure, and the story of its seemingly never-ending upgrades is as bumpy as the road itself.

Since the termination by the Jonathan government in 2012 of a concession agreement for the upgrade with Bi-Courtney Highways Services, there have been conflicting reports about what exactly is happening with the work to upgrade the Lagos-Ibadan route. The road reconstruction contract was then awarded to Julius Berger and Reynolds Construction Company (RCC). In October Reynolds said it was facing challenges with its work on the road; in November the name of Motorway Assets Ltd entered the frame as a 'leasee'. At the time of writing, Berger and RCC are said to be at work on the project.

Given the slow progress and all the complicated reports – you'd do a better job keeping up with the Kardashians than with the work on the road – Nigeria's motorists think it unlikely the expressway will meet its 2017 upgrade deadline, and that people travelling from Ibadan to Lagos will be dicing with death for some time to come.

The potential game changer here comes in the form of Babatunde Fashola, former Lagos state governor – now minister for power, works and housing – who I described last week as having the hardest job in African politics.

Fashola is known for his ability to cut through chaos and implement change, and the people of the Nigerian southwest know that if any minister has the ability to work with contractors to make the road serviceable, it's him. Let's consider the Lagos-Ibadan expressway a prominent example of the many tests he faces. Give me a few years and I hope I'll have positive progress to report. In the meantime, I am buckling up and holding on tight for the potholes to come. ■

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Babatunde Fashola
If anyone can do it...

PIUS UTOMI EKPEI/AFP/Getty Images

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SAA gags media

South African Airways (SAA) brought an urgent interdict in the early hours of Tuesday morning to curb several media outlets from publishing contents of a leaked memo from former acting CEP Thuli Mpshe to the SAA board.

The memo, dated 6 November 2015, was an internal document prepared by Ursula Fikelepi, the head of legal, risk and compliance at SAA.

While the interdict was too late to stop *Business Day* newspaper from publishing the article in its print edition, respondents BDFM Publishers, Moneyweb Holdings and Media24 Holdings, were ordered to "remove all references to the opinion including all or any of the contents of the opinion that [have] already been published on the internet and social media".

24/11/15 12:59

Prepare for 2016 recession

South Africa escaped being in a recession in 2015, but the current drought, low commodity prices and visa restrictions could shift the country into a recession by early next year, according to Mike Schüssler, director of economists.co.za.

He was responding to third quarter growth of 0.7%, as announced by Statistics SA on 24 November.

"We got away without a recession this time around as the second quarter did have a decline (-1.3%) in the size of the economy and another (negative growth) quarter would have technically put us into a recession."

24/11/15 14:30

Further 'burst' of rand weakness likely

A hike in US Fed rates would likely see a further burst of rand weakness, said Overberg Asset Management (OAM) in its weekly overview of the SA economic landscape. The probability of a rate hike is now at 74%, according to OAM. "The rand fell sharply when odds of a December Fed rate hike increased from near-zero to 70% following the release of much stronger-than-expected October non-farm payroll numbers," it said.

24/11/15 21:05

Getting Prasa back on track

By Andile Ntingi

Prasa had nowhere to hide once the public protector released her *Derailed* report in August – the result of an extensive three-year probe into the parastatal. But what has happened since?

With a seasoned public sector procurement professional seconded to the Passenger Rail Agency of South Africa (Prasa) in October – and the agency now investigating all payments over R10m made since the beginning of April 2014 to check for irregular, wasteful and fruitless expenditure – it seems that the troubled parastatal is taking Public Protector Thuli Madonsela's recommendations to heart.

Following a three-year probe that started in 2012, Madonsela released a 550-page report titled *Derailed* in August this year that provided a damning detailed account of maladministration, financial mismanagement, and tender irregularities at Prasa – the state-owned company that moves millions of passengers through its urban commuter train service Metrorail, and long-distance train service Shosholoza, daily.

Madonsela's recommendations included that National Treasury dispatch an experienced procurement official to restructure the supply chain management division, which has been taken to heart by the troubled parastatal.

Mbulelo Gingcana, who has been stationed at the Civil Aviation Authority for the past 16 years, was seconded to Prasa by Office of the Chief Procurement Officer (OCPO), a division of the National Treasury headed by Kenneth Brown. Gingcana joined Prasa in October as acting chief procurement officer.

"The OCPO, through this secondee (Gingcana), is restructuring the Prasa supply chain management system," said Phumza Macanda, spokesperson for the treasury.

The confirmation of Gingcana's secondment to Prasa came a week after parliament's Standing Committee on Public Accounts (Scopa) cut short a meeting with the parastatal's board chairperson Popo Molefe and senior management after the MPs' questions on tender irregularities and maladministration that occurred at Prasa went unanswered.

The MPs got frustrated after they were repeatedly told that the issues they were raising were still under investigation, including a R357m contract for 70 locomotives which was identified as irregular expenditure by the auditor general. Scopa ordered Prasa officials to return to parliament early next year to provide more information. Prasa spokesperson Victor Dlamini told *finweek* that a probe by law firm Werksmans Attorneys into several irregularities at Prasa was ongoing.

"We can confirm that the investigations underway point to cases of serious fraud, corruption, racketeering and money laundering," said Dlamini, adding that forensic investigations were, by nature, confidential.

The Werkmans investigation was commissioned prior to the release of Madonsela's report and was inspired by irregularities uncovered by an audit carried out by the auditor general.

Dlamini also confirmed that the R51 billion contract that Prasa in 2012 awarded to the Gibela consortium, led by French engineering firm Alstom for the manufacturing of 600 new-generation passenger trains made up of 3 600 coaches, was not under the microscope of investigators.

The new trains and coaches will replace the old, unreliable, and unsafe commuter trains that have been in use since the 1950s as part of Prasa's fleet renewal programme for its metro rail network across the country.

While the Gibela contract is not under scrutiny for now, Prasa is, however, investigating all payments over R10m made from beginning April 2014 to check for irregular, wasteful, and fruitless expenditure.

Dlamini said the parastatal had engaged the services of a law firm as part of a process of implementing a recommendation by the public protector to discipline employees that are implicated in wrongdoing.

"Once the investigations on the remedial actions proposed by the public protector [are complete], Prasa will take the necessary disciplinary action against those employees that are still within the employ of Prasa," he said.

Madonsela's report pointed the finger at former Prasa chief executive Lucky Montana, which found him to have irregularly awarded tenders and appointed service providers.

Montana is legally challenging the report's findings against him, but a further avalanche of damaging findings against him could emerge from the public protector's second investigation that will hone in on tender irregularities and corruption that were not covered in August's *Derailed* report. ■

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"Once the investigations on the remedial actions proposed by the public protector [are complete], Prasa will take the necessary disciplinary action against those employees that are still within the employ of Prasa."

While the Gibela contract is not under scrutiny for now, Prasa is, however, investigating all payments over

R10m

made from beginning April 2014 to check for irregular, wasteful, and fruitless expenditure.

By David McKay

Shareholders remain golden

In July, Pan African Resources announced an investment in thermal coal mine Uitkomst. CEO Cobus Loots has suggested this will be a one-off and says that the company is careful to make decisions that could threaten shareholder dividends. Any further strategy will be gold-based, outside SA and carefully considered.

A R200m investment in thermal coal mine Uitkomst looks like the first, and last, unusual left-field investment Pan African Resources is likely to make, based on the comments of the firm's CEO, Cobus Loots.

The investment, unveiled by Loots in July, was made only four months into the job at Pan African and coincided with a sharp decline in the share price of the company, a development most likely tied to heavy selling on the SA gold sector in general.

"We've paid out about 30% of our market capitalisation in the last three years. We can't buy an asset [based] on future markets improving; we just don't have that approach."

Nonetheless, Loots is reluctant for Pan African to spread its wings, especially if the company were to threaten its dividend promises. "We like our gold exposure and our dividend, which is close to sacrosanct," said Loots in an interview with *finweek*.

"We've paid out about 30% of our market capitalisation in the past three years. We can't buy an asset [based] on future market prices improving; we just don't have that approach. We have to see a business case first."

Pan African produces about 200 000 ounces (oz) of gold a year from two core operations: the Barberton and Evander gold mines, which are both set in Mpumalanga province.

It also produces about 8 000 oz a year of platinum group metals through the retreatment of tailings dams.

So it's a small operation but, with a market value of R2.7bn, it is worth only R1bn less than Harmony Gold, which produces just over 1m oz of gold and is building an

Cobus Loots
CEO of Pan African Resources

WILLING TO PAY THEIR WEIGHT IN GOLD

Pan African Resources' Loots may not think much of building gold resources for the sake of volume but when you're an investor in an already large gold company, it is something you are willing to tolerate, and seemingly at quite a pretty penny.

North American gold miner Kinross bought the Round Mountain and Bald Mountain mines in Nevada from Barrick Gold for $720m (R10.1bn) on 12 November even though analysts thought the mines were worth much less – some $300m (R4.2bn) less, in the estimation of BMO Capital Markets.

In August, AngloGold Ashanti sold its Cripple Creek & Victor mine in the US to Newmont Mining for $820m (R11.5bn), a big enough deal to mean the SA firm no longer required any other asset sales to clear excess debt off its balance sheet. It was deemed "the deal of the year" by Mark Bristow, whose Randgold Resources is in joint venture with AngloGold in the Congo.

According to Nick Holland, CEO of Gold Fields, gold majors are willing to pay heavy premiums because there has been a dearth in exploration over the years and it's therefore difficult to find replacement ounces.

"The processes you have to go through to do those disposals are very competitive," said Holland earlier this month when asked whether his company would like to participate in the heightened merger and acquisition activity in the gold market.

In 2013, Gold Fields bought the Yilgarn South assets in Australia from Barrick Gold for $300m (R4.2bn) – a transaction that Holland says will deliver payback any day now, some two years after the acquisition. But he doubts it's possible to get those deals at those prices in today's market.

"There are a lot of companies at the table and people are willing to pay up," says Holland. "It tells you that companies are struggling to replace their pipelines because exploration has been slashed; no-one has a greenfields budget. Paradoxically, the cost of buying additional ounces of gold is going up at a time when the gold price is going down."

Holland's comments have a resonance in respect to progress at South Deep, the West Rand gold project his company has owned since December 2006. The asset has 40m reserve and 80m gold resource ounces, giving it a life of mine of some 70 years – worth 47% of Gold Fields' base case valuation, according to Allan Cooke and Abhishek Tiwari, analysts at JP Morgan Cazenove.

However, production has been cut back heavily at South Deep whilst Holland refocuses a new team at Gold Fields on re-engineering the mining process. Holland acknowledges shareholder frustration as the company struggles to find a way to mine South Deep

So it's a small operation but, with a market value of R2.7bn, it is worth only

R1bn

less than Harmony Gold, which produces just over one million oz of gold and is building an R8bn worth of attributable copper/gold project in Papua New Guinea.

R8bn worth of attributable copper/gold project in Papua New Guinea. Loots has heard the comparison before but claims it doesn't surprise him. "Investors don't care about resources from a valuation point of view. They look at profitability and yield, which is the bottom line in a changing environment. They want to see us continuing to pay out dividends," he says.

Asked if that precludes Pan African from seeking scale, perhaps by participating in the long-expected, much-vaunted consolidation of the SA gold sector, Loots says: "Pan African won't invest in any more deep level gold assets in SA."

The company will, however, sniff around possible prospects beyond SA's borders on the African continent, as well as seek organic growth from within its existing gold portfolio.

"Maybe early next year we will have the licence to look outside.

"Anything else we do will be with gold. So we are looking for an African strategy. It won't be massive, but we'd like to prove our operational credentials outside of SA; something that will help move the needle a bit," he says. ■

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South Deep has 40m reserve and 80m gold resource ounces, giving it a life of mine of some

70

years.

Nick Holland
CEO of Gold Fields

properly, last expected to produce 650 000 to 700 000 oz/year by 2017, but which currently has a full-year output guidance of 190 000 oz.

"I can appreciate the frustration when the mine has missed long-term targets a number of times. But we need to look at value proposition on the table," he says. "We would like another year with the team to find a better resolution."

But the sceptics have already voiced their concerns. "South Deep remains challenging and, given the setbacks it has faced over the past 12 months, we believe production will struggle to reach guidance… which we think the stock continues to price," said Goldman Sachs following a 17% increase in Gold Fields' share price on 19 November after the publication of its September quarter figures. ■

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By Marcia Klein

Rupert starting to weigh his words?

If the good attendance at Remgro group's annual general meeting this week was a reflection of interest in hearing words of wisdom from one of South Africa's most successful businessmen, then attendees went home disappointed.

Speaking at the investment group's AGM in Somerset West on Monday, the usually outspoken Remgro chairman, Johann Rupert, declined to comment on government and leadership in South Africa, saying he does not wish to be quoted and will express his views in private, but not in public. He blamed this on headlines "not written by journalists but an algorithm for clickbait" rather than on any reluctance to state his views.

Johann Rupert
Chairman of Remgro

Nevertheless, he was able to face shareholders with the confidence that Remgro had delivered an earnings increase of 20% in the year to June, while intrinsic net asset value increased by 17.5% to R288.89 a share.

Remgro's major investments include Unilever South Africa, Distell, RCL Foods, RMBH, FirstRand, Mediclinic, RMI Holdings, Total SA, PGSI, Kagiso Tiso Holdings (KTH), Wispeco, Grindrod, Seacom and Sabido.

Shareholder activist Theo Botha asked about the poor performance of PGSI, the holding company of PG Group, KTH and Unilever, and if there was a turnaround strategy in place. Rupert disagreed, citing a price war on Unilever in the washing powder market.

Botha also asked that as 86% of profits come from only seven investments, was Remgro looking at options for its non-core investments.

Citing investments including Tracker, Fundamo, Vodacom and Impala Platinum, Rupert said Remgro management was not wedded to its investments and gets out "when we believe the time is right", but manages all of its investments on a continuous basis on various indicators.

Rupert commented on the fact that he (and director Fred Robertson) got the least votes on re-election as directors, saying shareholders couldn't get a cheaper chairman as he hasn't received "a penny" in 15 years. "Just when you get to know the business, people don't want you there," he said.

His only comment on the global environment was his concern over security in Europe. "I don't think there is a safe place in the world," he said. ■

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market place

Don't miss: The *finweek Money Matters* show every Friday at 1PM on CNBC Africa, channel 410. In the show, we talk to experts about the next issue's top stories.

FUND IN FOCUS: HOLLARD PRIME STRATEGIC BALANCED FUND OF FUNDS B **By Jaco Visser**

Prudent approach could be alluring

The Hollard Prime Strategic Balanced Fund of Funds B aims to reach a net return, thus after fees, of four percentage points above consumer price inflation. It invests in underlying funds with an exposure to equities, bonds, money markets and properties. The bulk of the fund's underlying exposure is towards local bonds, followed by local equities, global equities and a substantial amount of cash.

FUND INFORMATION

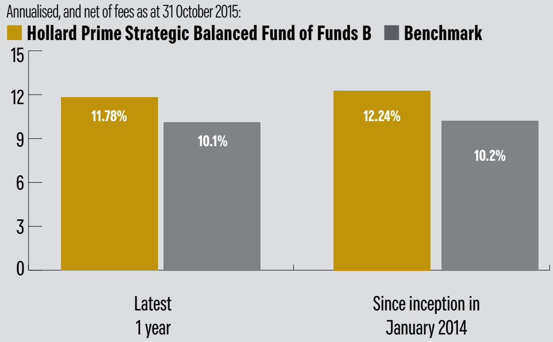
Benchmark:	**Median of the multi-asset medium equity sector**
Minimum lump sum/ subsequent investment:	**R5 000 lump sum or R500/month**
Fund managers:	**David Green and Conlias Mancuveni**
Total Expense Ratio (TER):	**1.65%**
Fund size:	**R123.1m**
Contact details:	**customercare@hollardinvestments.co.za or 0860 202 202**

PORTFOLIO COMPOSITION

as at 31 October 2015:		% of fund
1	Prescient Flexible Global Income USD Fund ZAR Class B	3.92%
2	Cash	3.78%
3	Investec NCD 110716 7.42%	2.91%
4	Nedbank NCD 100816 7.4%	2.9%
5	Investec ILB 2.75% 31012017	2.67%
6	Naspers	2.32%
7	ESK Nedbank Flt CLN	2.16%
8	FirstRand 23/2014	1.86%
9	Woolworths Holdings	1.66%
TOTAL		**24.18%**

% RETURNS

Annualised, and net of fees as at 31 October 2015:



Fund manager insights

In looking for value, the fund manager has a deliberate process he or she follows, according to David Green, chief investment officer at Hollard Investments. The process entails looking at what he calls the four Rs: regime, return, risk and reality check.

With regard to regime, the managers look at the economic climate in which an asset is situated, he explains. The second step is to gauge which assets are expensive and which ones are cheap. Thirdly they determine the underlying risk of an asset and whether it is appropriately priced. Finally, the managers would do a reality check to see how the fund is positioned relative to other balanced funds, he says.

"There are not a lot of stocks that look cheap or attractive," Green says. "We see that many things are expensive."

A relatively low total expense ratio of **1.65%** is alluring.

Local property stocks have low yields and with the likely increase in US interest rates, local rates aren't looking attractive either, he explains.

On the other hand, equities in developed markets are showing value, Green says. The fund has an exposure equal to 19.6% of its underlying assets towards global stocks. That said, the fund has shied away from emerging-market stocks, according to Green.

One of the benefits of the fund's investment mandate is that it isn't constrained by the choice of underlying fund managers in which it could invest, Green says. "We're using good asset managers."

The fund utilises Prescient Investment Management, Melville Douglas Investment Management, BlackRock Investment Management, Coronation Asset Management and Sesfikile Capital.

Why *finweek* would consider adding it

The fund is very cautious in allocating towards local equities, which seems a prudent approach for the current expensively-rated JSE. The large cash holding might be testament to one of two things: either the fund managers are very bullish on local assets or, due to the relative small size of the fund, want to have manoeuvrability when opportunities do show up.

A healthy portion of the fund is allocated towards offshore assets, providing some form of hedge against the weakness of the rand. A relatively low total expense ratio of 1.65% is alluring. ■

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SHOPRITE

BUY SELL HOLD

By Simon Brown

Still the best deal

Shoprite* has long been my preferred mid- to low-LSM food retailer, and the massive run-up in the share price to trade over R200 in late 2012 confirmed it as the market's preferred food retailer. As a shareholder I was happy, but the truth was that valuations at that point were stretched, with the P/E over 30 times.

With the price now around R140 and three years of increasing earnings, the stock sits on a forward P/E of some 16 times and a forward dividend yield of 3% – both attractive, especially when you're buying the best retailer on the African continent.

Sure, times are tough locally; interest rates are increasing and Pick n Pay is finally turning around. But Shoprite management is as good as it gets and it's more than used to tough times and competition. So I will be adding to my Shoprite holding on any price below R140, and if it drops into the R120s or even lower, I will be an aggressive buyer. ■

**The writer owns shares in Shoprite.*

Last trade ideas

- BUY Astoria Investments
- SELL York Timber
- HOLD Calgro M3
- SELL MTN

DATATEC

BUY SELL HOLD

By Moxima Gama

Long-term appeal

Global ICT solutions and services group Datatec announced a 25% decline in headline earnings per share (HEPS) for the six months to end August, sending its share price from highs of 7 698c in early September to 4 971c at the time of writing.

The slide in HEPS was partly due to the decline in a number of emerging market currencies against the US dollar, particularly the Brazilian real, which contributed to forex losses of $10.6m in the interim period. Datatec also struggled in Nigeria and Angola, where a drop in the oil price hit currencies and economic activity. Overall, revenue grew 10% to $3.29bn, mainly thanks to a strong performance in the US.

Datatec consists of three divisions: Westcon Group, a global distributor focused on technology practices such as security, and communications, networking and data centres; Logicalis, which focuses on the integration of ICT infrastructure and services; and Consulting, with subsidiaries Analysys Mason, Mason Advisory and Via Group.

Overall, revenue grew **10%** to $3.29bn, mainly thanks to a strong performance in the US.

Westcon is its biggest unit, contributing 76% to revenue. North America is its most important region, contributing 37% to revenue, compared with 33% from Europe and 11% from Africa and the Middle East.

But despite the disappointing results and the steep pull-back, Datatec makes an attractive long-term investment. Emerging market currency weakness is likely to continue next year, inevitably affecting Datatec's savings in operating costs. But sentiment should prevail, if support holds firmly at 4 495c/share. A good buying opportunity would be presented above 5 500c/share, ending the three-month correction within the major bull trend, and extending this trend gradually to the 10 800c/share prior highs. However, a tight stop-loss is recommended. Alternatively, investors should refrain from going long if Datatec pulls back further through the 4 495c/share pivotal point. ■

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Last trade ideas

- SELL Life Healthcare Group
- BUY Vodacom Group
- BUY Massmart
- SELL EOH Holdings

A good buying opportunity would be presented above **5 500c/share,** ending the three-month correction within the major bull trend, and extending this trend gradually to the 10 800c/share prior highs.

By Moxima Gama

NAMPAK

Battling a tough environment

Nampak has seen a dismal drop of nearly 50% in its share price since the start of the year, but operations in the rest of Africa have seen substantial growth and the group still believes in the promise of investing in Africa.

In one of the largest sell-offs I have seen since 2009, packaging group Nampak booked its biggest one-day drop in 18 years, falling as much as 13% on 26 May after it reported a 14% decline in trading profit for the six months to end March. Its share price is down nearly 50% since the start of the year.

Nampak Glass in particular has been struggling, recording a trading loss of R70m, down from a profit of R16m in the same period last year, despite growing revenue by 10% to R546m. The group blamed the poor performance on production inefficiencies and operational constraints, but said a comprehensive business recovery plan was implemented and a turnaround was expected in the short to medium term.

Investors will keep a close eye on the progress made in this unit, as Nampak was set to release annual results on 26 November, after *finweek* went to print.

The group warned in a trading update on 12 November that it expected headline earnings per share from continuing operations to be between 4% and 8% lower than in the previous year.

While the glass division and foreign exchange losses impacted the group's financials, its operations on the rest of the continent have shown substantial growth. In the first six months of the financial year, it increased trading profit in the region by 22% year-on-year to R330m in the interim period. Overall, the region's contribution to trading profit grew from 27% in the first half-year of 2014 to 38%. It aims to grow this to 50%.

Despite the strong performance from the rest of Africa, falling commodity prices – particularly of oil – have provided their own challenges, particularly in Angola and Nigeria, where currencies took a beating and stricter foreign exchange rules were implemented.

52-week range:	R19.67 - R45.82
Price/earnings ratio:	10.22
1-year total return:	-46.66%
Market capitalisation:	R15.8bn
Earnings per share:	R2.20
Dividend yield:	6.62%
Average volume over 30 days:	4 993 923

SOURCE: INET BFA

This has made it difficult for companies like Nampak to get money out of these countries to pay management fees, dividends and loans, CEO André de Ruyter said in September.

While there has been progress with the sale of low-margin operations and appointment of new senior management and technical experts at its glass operations, the macroeconomic environment remains difficult. Low growth, combined with increased competition from imports and rising labour and energy costs, are eroding margins. Nevertheless, Nampak seems optimistic and believes in the Africa story.

Although the commodity crisis cannot be easily brushed off, Nampak is quite confident that Africa remains a compelling investment destination.

SOURCE: MetaStock Pro (Reuters)

What next?

Possible scenario: Nampak has plummeted through the support trendline of its long-term bull trend. It is extremely undervalued on all its charts. However, a set of improved year-end results are bound to prompt buying momentum, signalled above 2 550c/share. Nampak could then reclaim its previous losses to the 3 275c/share level.

Alternative scenario: Downside through 1 960c/share would extend the current bear trend to the 1 600c/share support mark. Next support would be at 1 095c/share. In which case, do not go long! ■

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Moxima Gama has been rated as one of the top 5 technical analysts in South Africa and outperformed the market during the recent recession. She has been a technical analyst for 10 years, working for BJM, Noah Financial Innovation and for Standard Bank as part of the Research Team in the Treasury Division of CIB.

By Simon Brown

Simon's stock tips

Founder and director of investment website JustOneLap.com, Simon Brown is *finweek*'s resident expert on the stock markets. In this column, he provides insight into the week's main market news.

PPC

Betting it all

PPC results were pretty much as expected: really tough as local demand remains slack with increased competition. It really is betting everything on its expansion into the rest of Africa, which has seen total debt move up some R2bn to over R8bn. If this expansion works, it will be lauded as a master, but the risks remain. The territories it's moving into will not be easy, and there is already stiff competition in place, but PPC will have the advantage of new and more efficient plants that should make it more cost effective. This will give it an edge in the new regions.

ASTRAL FOODS

Worth a look

Astral was really down and out in early 2014 after it had cut the dividend, scrapping the interim 2013 dividend entirely. For a stock that was in part loved for the high dividend yield, this saw massive pressure on its share price. But it has bounced back with a dividend yield that now sits at over 6% after excellent results for the year ending September 2015. The problem is that it faces a number of head winds – drought that pushes up input costs (maize feed), the brining issue that remains on the table but nobody seems to know when it'll happen, and potential US exports to SA. These concerns have seen serious pressure on the share price, since trading at over R200 in January, to around R130 now. But the market does seem to be overly punishing the stock and assuming all the concerns will be worse case, which is unlikely. On a P/E of just under 8 times this stock is worth a look for those prepared for the volatility that comes with food producers.

TONGAAT HULETT

Waiting for rain

Tongaat results were as expected: horrid with sugar profits hit hard. This on the back of a weaker rand, which helped the business as sugar is traded in US dollars. But lower yields and a low sugar price all worked against the company. Its land segment really stepped in with strong operating margins and an almost 70% increase in sales, but couldn't totally off-set the slump in sugar. The sugar price has rallied almost 40% in the past few months (maybe in part due to reduced production from drought-hit Southern Africa), but the price remains some 50% down on the 2011 highs. Tongaat ultimately remains a sugar play and is only worth investing in when sugar increases and the local drought recedes.

The sugar price has rallied almost

40%

in the last few months, but the price remains some

50%

down on the 2011 highs.

STEINHOFF INTERNATIONAL

No change after listing

The Steinhoff Frankfurt listing is going ahead on 7 December and local shareholders will find Steinhoff N.V. shares with the JSE code of SNH on 30 November. This is just the practicality of Steinhoff listing on Frankfurt; shareholders do nothing and still own a slice in exactly the same company.

TSOGO SUN

Southern Sun Waterfront, Cape Town

Occupancy has to go up

Tsogo Sun results showed hotel occupancy levels increasing from 60.6% to 61.4% (62.4% in South Africa) while average room rates increased from R899 to R985. Both helped with operational leverage but that 61.4% occupancy rate seems to be low. City Lodge* occupancy rates increased to 67% in the last reporting period and while it operates in very different segments of the market, Tsogo being more leisure and City Lodge corporate, the Tsogo occupancy rates are well down from the 63.6% levels seen in the September 2012 results. Sure, over that period the number of rooms is up from 1 878 to 2 065 and the average room rate was R759 back in 2012, but Tsogo really needs to get its occupancy levels up; then the operational leverage will kick in and we'll see great results. ■

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**The writer owns shares in City Lodge*

Tsogo Sun image by www.tourismtattler.com

By Simon Brown

INVESTMENT

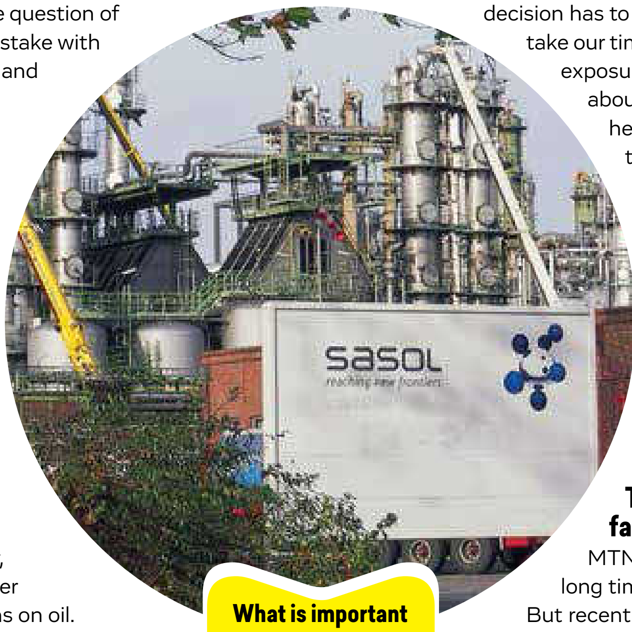
When to finally let go of stocks

You may have been holding your favourite stocks for years, even decades, but it is important to consider why they are still in your portfolio. Sometimes, a drastic event at a company can trigger you selling a stock you've held for years.

Earlier this year I asked the question of whether I had made a mistake with my investment in Sasol* and whether I should exit the holding (*Are resource stocks a bad choice?*, 20-26 March edition). At the time the oil price had collapsed and Sasol had followed it, trading down at around R400 after a high of over R650 in mid-2014.

Some background: I have held Sasol since the early 1990s and the dividends I receive these days exceed the initial price I paid for the shares. That said, I've bought Sasol many times over the years – most recently when the price started to collapse in late 2014. My logic for holding Sasol was always that, while oil is a commodity, it is in many ways different from other commodities because our planet runs on oil. Aside from coal, if any other commodity were to disappear overnight, things would be tough but we'd survive. If oil or coal were to vanish overnight, the planet would grind to a devastating halt.

However, my concern was that while oil is a different commodity, it is still cyclical and prone to protracted bouts of price weakness and subject to the vagaries of supply and demand. Therefore it's not an attractive long-term holding.



What is important is to know when a decision has to be made quickly and when we can take our time.

Questioning Sasol as a commodity stock

At the time of the initial column on Sasol I did warn that the process of my deciding would be slow, and so it has been, but ultimately my decision has been to keep Sasol. The thought process is fairly simple in the end. Yes, Sasol is in part tied to the oil price but in truth Sasol is a lot more – it is a chemical company. In fact, the JSE removed Sasol from the resource index and put it into the industrial index. Further, the theory that oil is the critical commodity for planet Earth holds up. Finally, Sasol profits are not tied to the oil price as directly as many assume, as recent results illustrate.

What is important is to know when a decision has to be made quickly and when we can take our time. I want some long-term commodity exposure and the question is how I should go about getting it. Sasol is the ideal candidate here and it also offers more stability than the traditional commodity stocks.

That said, sometimes we need to make a decision fast. My grandfather always told me that when it was time to panic the best thing to do was to panic quickly. This is what I did with MTN a few Mondays ago when the news broke that it had been fined $5.2bn by the Nigerian Communications Commission (NCC) for regulatory issues in that country.

The downfall of another favourite, MTN

MTN is another stock I had owned for a long time, first buying it in the late 1990s.

But recently I had been wondering if it really was awesome enough to be included in my portfolio. Management's complete lack of transparency and respect for shareholders coupled with the fact that it had ignored the Nigerian regulator saw me selling within hours of the news breaking (and within minutes of MTN finally issuing a Sens announcement on the issue).

The difference is that with Sasol the decision to maybe exit was more driven by my own thoughts and concerns rather than a specific event. Sure, the declining oil price had triggered the thought process but there was a bigger picture I had to consider – is Sasol just another cyclical commodity company?

With MTN I started thinking about the stock again because of serious management failure that broke swiftly and while I could still have taken time to reflect on it, there was no need. I knew that management had totally lost my trust and that I needed to exit the stock as a result. ■

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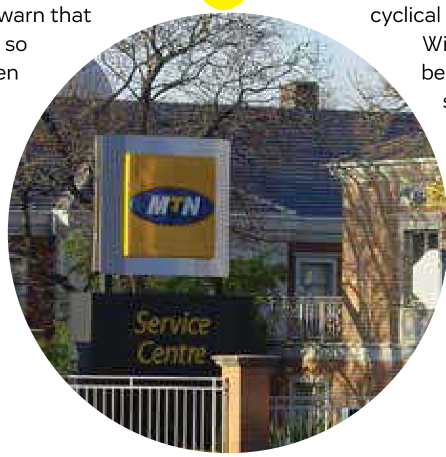

The writer owns shares in Sasol.

Simon Brown has been interested in the stock market since his school days in the 1980s and bought his first share a week before the stock market crash of 1987. He started his first trading website in 2000. He has been investing and trading, while also teaching and writing about the subject of markets, ever since.

By Robin Hartslief

COLGATE-PALMOLIVE

A quality company to hold for the long term

No matter the state of the global economy, chances are almost everyone – whether rich or poor – is using and will continue to use basic consumer products like toothpaste, soap and detergents. Therefore, a global company that produces these goods is an ideal stock to hold.

Increased market volatility in 2015 has made investors anxious about the long-term outlook of their investments. Marriott feels this need not be the case if one is invested in quality companies.

We believe a quality company is one that provides reliable and growing dividends over time with a high degree of certainty, and can withstand the ups and downs of global politics and changing economics. A good example of a quality company is Colgate-Palmolive. The graph below highlights the company's impressive dividend track record and how dividend growth ultimately drives capital appreciation.

Colgate-Palmolive is a giant in the household staples industry, providing basic necessities that consumers use on a day-to-day basis all around the world. From brushing your teeth and washing your hair to cleaning your home and feeding your pets, Colgate-Palmolive is a market leader.

The company's diversified product offering can be broken down into four broad categories: oral care, personal care, home care and pet nutrition, with oral care accounting for approximately half of the company's sales. Personal care accounts for about 20%, home care for 20% and pet care for just over 10%.

With a product portfolio that includes popular brands such as Sta-Soft fabric softener, Sanex deodorant, Protex soap, Palmolive shampoo and Colgate toothpaste, one can understand how the company has been able to produce reliable dividends for over 50 years.

As well as being a reliable dividend payer, the company's long-term potential for dividend growth is very favourable given its meaningful exposure to emerging markets (approximately half of Colgate-Palmolive's revenue). For instance, the Colgate toothpaste brand is highly sought-after in both India and China, being recently rated the number one consumer brand and the number three international brand in these markets respectively, according to the Kantar *Worldpanel Brand Footprint Report* and Kantar's Millward Brown, a research agency.

The table to the left compares the annual per capita consumption of toothpaste in India, China and the US. When one considers the combined population of India and China is in excess of 2.6bn, the growth opportunity these markets afford the company is clear to see.

In summary, even in a subdued and unpredictable economic environment, consumers around the world will continue to brush their teeth, wash their hair and clean their homes. Colgate-Palmolive is undoubtedly a world leader when it comes to providing these household necessities, which enables the company to produce reliable dividends.

In addition, the company's exposure to emerging economies like India and China – where it enjoys a 55% and 34% share of the toothpaste market respectively – provides a robust platform for inflation-beating dividend and capital growth in the years ahead. The company's current dividend yield of 2.5% is an acceptable entry point for new investors and consequently Marriott believes that Colgate-Palmolive should form a core holding in an investor's portfolio. ■

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Robin Hartslief is an investment professional at Marriott.

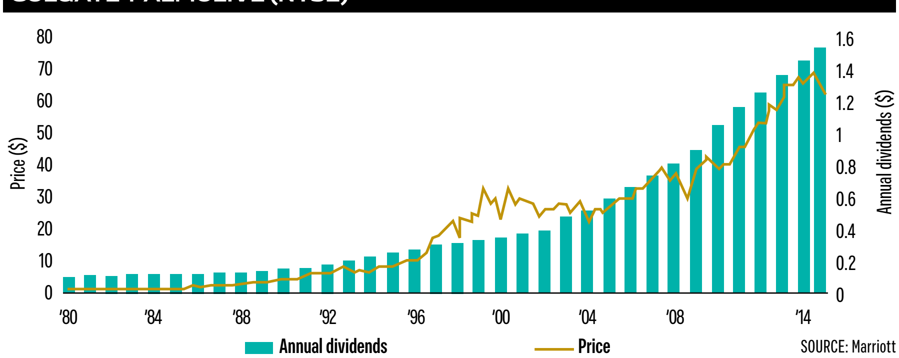
TOOTHPASTE ANNUAL PER CAPITA CONSUMPTION

US	561 grams	3.3 tubes*
China	277 grams	1.6 tubes*
India	137 grams	0.8 tubes*

*Assuming a tube of toothpaste weighs approximately 170 grams

Personal care accounts for about **20%** home care for **20%** and pet care for just over **10%**.

COLGATE-PALMOLIVE (NYSE)



SOURCE: Marriott

Image by www.colgate.co.za

By Schalk Louw

INVESTMENT STRATEGY

Balance your greed and fear while looking for value

We take a closer look at three companies that offer value despite the market trading at all-time highs.

Even though my daughters are no longer toddlers, I will never forget our regular play park outings when they were younger. As toddlers, their favourite piece of equipment was the seesaw and this was the first thing they charged for. With one daughter being older than the other, pranks were never out of the question.

So it happened that my older daughter often found it very amusing to jump off the seesaw while my youngest daughter was still in mid-air, resulting in an unfortunate downward slam. This game provides me with the perfect analogy to illustrate my current opinion on risk in local shares.

Rather than using the analogy to explain market fluctuations, I would like to place investors on the psychologist's couch to explain the two most determinative emotions in financial markets: greed and fear.

As in my story, these two emotions can be seen as sisters. Together, they provide balance on the market's 'seesaw'. The greatest danger for investors lies in the possibility that one of these emotions may jump off the seesaw while the other is still in mid-air. Should fear jump off, greed will blow prices up like a balloon, which will inevitably pop in due course. Should greed jump off, leaving fear all to itself, prices will be pushed down to abnormally low levels. It is extremely difficult to maintain a healthy balance, but I feel that it can be managed by being disciplined – disciplined in sticking to your initial investment strategy.

I mentioned last week that when looking at price-to-earnings ratio (P/E) valuations, markets are currently trading at 20-year highs. There are an increasing number of investors, however, who feel that the market still isn't trading at high levels, especially when we take the exceptional cases of Naspers* and SABMiller out of the equation.

But the fact is that the current year-on-year earnings yield on our local market is negative, while the P/Es of the top 40 largest shares on the stock market, for example – excluding Naspers, SABMiller and local property shares – are now trading 67% higher than their averages over 10 years.

Before readers start to get the impression that I'm chasing them out of the 'play park', I want to make it clear that although my current local market outlook is underweight and, in being disciplined, it's unlikely that I would resort to merely buying last year's winners, there are still shares available that offer good value for money in this blown-up market of ours.

Here are three examples:

1. CORONATION FUND MANAGERS

Established in 1993, Coronation is an active asset management company. As at the end of September 2015, it had R610bn in assets under management. The company's debt-to-equity ratio (how much debt versus equity has been used to finance assets) currently stands at 33%, which falls below a low ratio of 50% (the lower this ratio, the less debt used). Coronation currently trades at a historic P/E of 12.4 times and a dividend yield of 8%.

2. REUNERT

The Reunert group manages three main divisions: Nashua (provider of copiers, printers and digital solutions), CBI Electric (power cable manufacturer) and Reutech (manufacturer of electronic equipment for the defence industry). The company's debt-to-equity ratio currently stands at 46%. It is trading at a historic P/E of 12.7 times with a dividend yield of 5.7%. During the last financial year, Reunert sold Nashua Mobile's subscriber database for R1.4bn, leaving it with a whopping R2.4bn in cash.

3. CLIENTèLE LIFE ASSURANCE

Life Insurance company Clientèle Life has a debt-to-equity ratio of 38%. It is currently trading at a historic P/E of 15.3 times with a dividend yield of 5.5%. Although it may be one of the smallest players in the field, Clientèle managed to grow its returns on equity by 59% per year since 2009. ■

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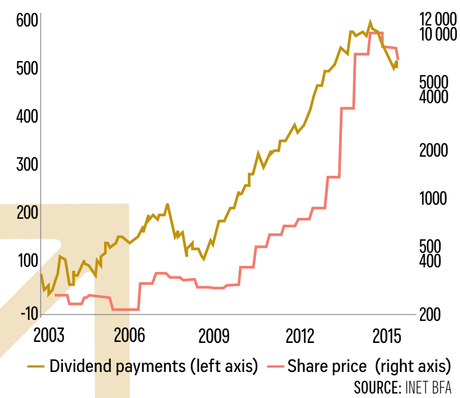
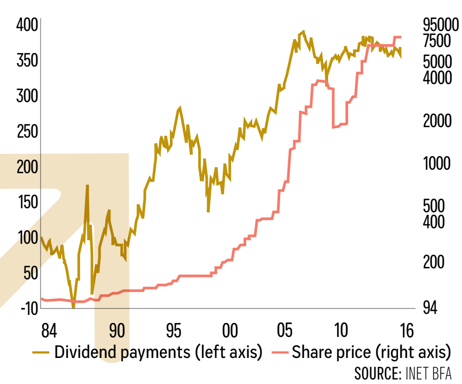
*finweek *is a publication of Media24, a subsidiary of Naspers.*

Schalk Louw is a portfolio manager at PSG Wealth.

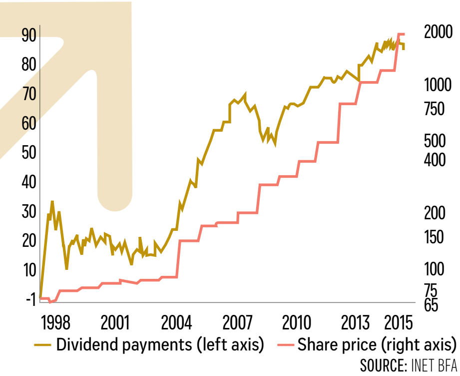
CORONATION FUND MANAGERS



REUNERT



CLIENTÈLE LIFE ASSURANCE



DIRECTORS DEALINGS

COMPANY	DIRECTOR	TRANS. DATE	TRANSACTION TYPE	VOLUME	PRICE (C)	VALUE (R)	DATE MODIFIED
ANGLO	M Cutifani	16 November	Purchase	32	£4.63	£148	19 November
ANGLO	M Cutifani	16 November	Share allocation	32	£0	£0	19 November
ANGLO	R Médori	16 November	Purchase	33	£4.63	£152	19 November
ANGLO	R Médori	16 November	Share allocation	33	£0	£0	19 November
ANGLO	P Mellier	16 November	Purchase	33	£4.63	£152	19 November
ANGLO	P Mellier	16 November	Share allocation	33	£0	£0	19 November
ANGLO	A Michaud	16 November	Purchase	21	£4.63	£97	19 November
ANGLO	A Michaud	16 November	Share allocation	21	£0	£0	19 November
ANGLO	D Wanblad	16 November	Purchase	27	£4.63	£125	19 November
ANGLO	D Wanblad	16 November	Share allocation	27	£0	£0	19 November
ANGLO	P Whitcutt	16 November	Purchase	27	£4.63	£125	19 November
ANGLO	P Whitcutt	16 November	Share allocation	27	£0	£0	19 November
DAWN	DJ Fouche	18 November	Purchase	200,000	500	1,000,000	23 November
DAWN	DJ Fouche	18 November	Purchase	200,000	500	1,000,000	22 November
HARMONY	F Abbott	16 November	Shares vested	18,547	878	162,843	23 November
HARMONY	R Bisschoff	16 November	Shares vested	4,971	878	43,645	23 November
HARMONY	GP Briggs	16 November	Shares vested	44,615	878	391,720	23 November
HARMONY	HE Mashego	16 November	Shares vested	13,153	878	115,483	23 November
HUDACO	GR Dunford	19 November	Purchase	5,000	9997	499,850	23 November
HUDACO	GR Dunford	19 November	Purchase	5,000	9993	499,650	23 November
HUDACO	GR Dunford	18 November	Purchase	5,000	9997	499,850	23 November
INVICTA	JD Wiese	20 November	Purchase	1,479	9050	133,849	25 November
INVICTA	JD Wiese	23 November	Purchase	10,324	9100	939,484	25 November
MERAFE	K Bissessor	18 November	Purchase	200,000	69	138,000	23 November
MERAFE	ZJ Matlala	13 November	Purchase	237,305	67	158,994	19 November
MERAFE	ZJ Matlala	13 November	Purchase	237,305	67	158,994	19 November
NEDBANK	V Naidoo	17 November	Purchase	11,660	21247	2,477,400	23 November
RBPLAT	SD Phiri	17 November	Purchase	12,500	2366	295,750	19 November
RBPLAT	MJL Prinsloo	18 November	Purchase	50,000	2317	1,158,500	23 November
REBOSIS	A Mazwai	13 November	Sell	18,861	1119	211,054	23 November
REBOSIS	A Mazwai	16 November	Sell	231,139	1090	2,519,415	23 November
REDEFINE	L Kok	13 November	Exercise Options	199,833	1049	2,096,248	19 November
REDEFINE	AJ Konig	13 November	Exercise Options	260,248	1049	2,730,001	19 November
REDEFINE	HK Mehta	13 November	Purchase	225,000	1066	2,398,500	19 November
REDEFINE	DH Rice	13 November	Exercise Options	229,886	1049	2,411,504	19 November
REDEFINE	M Ruttel	13 November	Exercise Options	131,363	1049	1,377,997	19 November
REDEFINE	M Wainer	13 November	Exercise Options	341,750	1049	3,584,957	19 November
RHODES	MR Bower	24 November	Purchase	45,000	2370	1,066,500	25 November
RHODES	WP Hanekom	23 November	Purchase	50,000	2200	1,100,000	24 November
ROCK	MC Olivier	13 November	Purchase	94,000	$212	$199,280	19 November
ROCK	MC Olivier	13 November	Purchase	94,000	$212	$199,280	19 November
SAPPI	P McGrady	17 November	Sell	12,500	6150	768,750	20 November
SAPPI	CM Mowatt	23 November	Sell	5,000	6298	314,900	25 November
SAPPI	TK Stanger	17 November	Sell	33,410	6096	2,036,673	20 November
SAPPI	BJ Wiersum	17 November	Sell	24,695	6106	1,507,876	20 November
SHOPRITE	JW Basson	16 November	Purchase	220,000	13536	29,779,200	19 November
SHOPRITE	JD Wiese	20 November	Purchase	600	13891	83,346	24 November
STEINHOFF	CH Wiese	18 November	Purchase	11,942	8355	997,754	23 November
TOWER	B Rogerson	18 November	Sell	13,253	930	123,252	25 November
TRELLIDOR	TM Dennison	19 November	Purchase	4,642	540	25,066	24 November
WESCOAL	MR Ramaite	19 November	Purchase	50,000	115	57,500	23 November
WESCOAL	MR Ramaite	19 November	Purchase	85,000	115	97,750	22 November
WESCOAL	MR Ramaite	19 November	Purchase	150,000	120	180,000	23 November
WESCOAL	MR Ramaite	20 November	Purchase	169,930	110	186,923	25 November
WESCOAL	W Sulaiman	16 November	Purchase	200,000	120	240,000	19 November
WESCOAL	W Sulaiman	16 November	Purchase	200,000	120	240,000	19 November

All data as at 25 November at 17:00. Supplied by INET BFA.

BEST AND WORST PERFORMING SHARES

SHARE	WEEK PRICE (c)	CHANGE (%)
BEST	650	172
Mine Restoration Inv	6	50
Orion	35	45.83
Buildmax	21	31.25
Atlatsa	50	28.21
ArcelorMittal	614	25.31
WORST		
Lonmin	30	-86.67
Beige	1	-50
Conduit	270	-19.88
Quantum	276	-17.61
CSG	140	-12.5

INDICES

INDEX	WEEK VALUE	CHANGE* (%)
JSE ALL SHARE	51 817.84	0.32
JSE FINANCIAL 15	16 423.75	2.6
JSE INDUSTRIAL 25	71 474.38	-0.1
JSE SA LISTED PROPERTY	648.47	-0.47
JSE SA RESOURCES	15 049.30	-1.04
JSE TOP 40	46 569.62	0.23
CAC 40	482 028	-1.76
DAXX	1 109 231	1.11
FTSE 100	627 723	-0.03
HANG SENG	2 258 763	1.8
NASDAQ COMPOSITE	510 280	0.54
NIKKEI 225	1 992 489	1.4
S&P 500	208 914	0.27

*Percentage reflects the week-on-week change.

DIVIDEND RANKING

SHARE	F'CAST DPS (c)	F'CAST DY (%)
DRDGOLD	37	15.3
REBOSIS	120	11.2
ANGLO AMERICAN	1058	11.1
LEWIS	517	10
MTN GROUP	1345	9.3
BHP BILLITON	1727	9.3
ASSORE	600	8.7
OCTODEC	205	8.7
EMIRA	146	8.3
VUKILE	148	8.2

THE FRONE FACTOR

Neal Froneman has been called many things during his three-decade career as one of South Africa's foremost miners: opportunist, clever, ruthless, brave, exploiter, Mr Fix-it... In a frank interview (he knows no other way), Froneman tells **David McKay** why you "don't need to be a rocket scientist" to see the rationale behind Sibanye's diversification plans.

"Clever, ruthless and lucky." That's how one industry analyst describes Neal Froneman, a 56-year old mechanical engineer who runs Sibanye Gold, the R17bn gold producer.

Sitting in Sibanye's corporate office at Libanon gold mine near Carletonville, west of Johannesburg, the place where he took his first job as a junior miner 31 years ago, Froneman doesn't quite strike one as the Bond villain sketched by the analyst.

As far as hatching cunning plans go, the only visible evidence connecting Froneman to R9bn worth of corporate activity in four breathless weeks during September and October, is a map (or 'plan' in mining-speak) on his desk. It shows Sibanye Gold's recent purchases: the Rustenburg mines of Anglo American Platinum (Amplats), and to the south, in what looks to be a stone's throw, the shafts of Aquarius Platinum. There's a line bolded in demarcating a rail line that runs through both properties as if the ownership boundary shouldn't be there. That, says Froneman, is exactly the point – and just one of the reasons why, logistically, buying these assets is an exercise in common sense.

'Logistically, buying these assets is an exercise in common sense'

Neither transaction is yet complete, with the purchase of the Amplats mines in Rustenburg facing a year of legal and regulatory hurdles. There's also opposition to the R4bn bid for Aquarius Platinum which John Biccard, portfolio manager at Investec Asset Management, believes is an act of Froneman opportunism.

Froneman acknowledges there's a degree of opportunism in his firm's recent corporate efforts, but with the platinum market heavily over-supplied, and with

MAN

asset valuations reflecting the surplus, he doesn't take credit for the timing of the Aquarius or Amplats bids.

"We're not as clever as we look when it comes to the market, but we do have longer term positive views on [platinum] supply and demand," he said in the interview with *finweek*.

"I'd love to claim credit for looking clever, but we worked on [Amplats'] Rustenburg for probably 18 months," he said. The bid for Aquarius was actually an earlier corporate ambition even though the offer only materialised after Sibanye had bid a figure of R4.5bn for the Rustenburg mines (which could increase depending on performance of the shafts).

"Aquarius was actually the first transaction we looked at in late 2013, but the company's balance sheet was a mess," he says. "It had to be restructured. We had very initial discussions with Jean Nel (CEO of Aquarius Platinum) but these things take time.

"The market could just as easily have gone up and we could have missed the opportunity," says Froneman. "The market didn't, but I suppose you can say we had the tenacity to enter it and I think our entry actually changed the sentiment of the market, which was quite strange."

Investec's Biccard has urged Aquarius Platinum shareholders to vote against Sibanye's offer of some R2.66/share which, at the time it was made public on 6 October, was a 62% premium to Aquarius' volume-weighted average share price of R1.64/share.

"Investors should not be looking at a 100% premium to the 12-month low being offered, but rather focus on the fact that Sibanye is buying two quality assets at 4% of their 10-year high valuation," argued Biccard.

John Biccard
Portfolio manager at Investec Asset Management

Expanding into coal

Squeezed between the offer for the two platinum assets, Froneman's Sibanye also announced it may take control of a "secured convertible note" amounting to AU$22.5m (about R225m) in Waterberg Coal Company (WCC), a Johannesburg- and Sydney-listed firm that is developing a thermal coal mine in SA's Limpopo province.

Once it has recapitalised WCC, Sibanye will have enough shares in the company to control it, provided the deal passes a due diligence. But why is a gold producing company, having recently signalled diversification into platinum, now taking on coal?

According to Froneman, stage three load-shedding by Eskom, in which customers of the utility were required to throttle back power some 20% of total capacity, had cost Sibanye 270kg in lost gold production – equal to R125m in revenue – during the firm's second quarter this year.

Electricity costs are likely to become a quarter of the group's total costs from about a fifth currently. Therefore, the purpose of WCC is to become self-sufficient in energy supply, which Sibanye hopes to achieve by establishing a joint venture with an independent power producer (IPP).

The proposed transaction also gives Sibanye potential to become a supplier to Eskom and the export market because the WCC Waterberg resources has scale on its side. According to WCC CEO Stephen Miller, there's a rationale for a 10m ton/year (mtpa) thermal coal mine on the Limpopo province site.

This production means Sibanye could secure the coal for the IPP for effectively nothing.

"The entry is very cheap ... or low cost," Froneman corrects himself. "We shouldn't say cheap."

Funding the acquisitions

As opportunistic (and possibly cheap) as Sibanye's acquisitions may be, they still add up to a capital outlay of about R10bn. Taking into account existing debt, Sibanye Gold's net debt would rise to R11.5bn – two-thirds of the company's current market value.

As a ratio of pretax earnings, however, Froneman thinks the debt is a conservative undertaking. Funding the initial purchase price of the Amplats deal – R1.5bn – and the R4bn for Aquarius increases Sibanye's net debt from 0.2 times its EBITDA (earnings before interest, tax, depreciation and amortisation) to about 0.8 times pretax earnings.

As opportunistic (and possibly cheap) as Sibanye's acquisitions may be, they still add up to a capital outlay of about
R10bn.

The ratio, which shows how long it would take Sibanye to pay off its debt, is used by credit rating agencies. The agencies monitor indebtedness with particular scrutiny these days because the world's mining sector is thought to have poorly allocated capital, wasting it on projects that failed to provide returns.

Although Froneman is anxious to keep clearing out Sibanye's debt, it's not only for that reason. "If we want to make further acquisitions – and yes, we do – you want to clean up that debt.

"You want to get your firepower back so that you can make your next move. We still don't think that our currency (value of shares) is at a level where we would use it. Most analysts now have us well over R30/share (versus R18.80/share at the time of writing)," said Froneman.

All hat, no cattle?

Froneman is not a corporate creature. He is an

entrepreneur who reluctantly wears a suit. The heart is also firmly on the sleeve. That's why he responds too openly to criticism; market darts and barbs unsettle him more than they should, and belie the scope and confidence of his corporate activity.

This is perhaps fuelled by his experience as CEO of Uranium One, a company he brought into being in concert with the rise in the uranium price from about 2004 to 2008.

Uranium One's SA uranium resource – held in an asset called Dominion Reefs – was originally one of several assets in a company Froneman first bought in order to mine gold. The marginal nature of the gold assets, however, and the sudden market interest in uranium took him on another path.

By 2007, Froneman merged with UrAsia to create a $5bn entity that ranked among the world's top four uranium producers. But his rapid-fire corporate activity ended calamitously in 2008 after Dominion failed to meet its uranium production targets.

It resulted in Froneman's resignation in February 2008, which was followed by a period of hibernation. His comeback was in 2009 as CEO of Gold One – a gold production firm previously known as Afrikander Lease (Aflease). Froneman had bought Aflease in 2003; its uranium assets had formed the basis of Uranium One.

Froneman's diehard critics see a repeat of this corporate ascent and decline in Sibanye Gold.

"He knows what the market eats for sweet cakes and so he is making sure he always has one more story, one more sweet cake to feed them when they get restless," said an analyst.

This is the picture of Froneman as the master of 'pump and dump': that he launches companies with compelling market esprit but then abandons them when the fuel runs dry. Froneman hates being reminded of Uranium One, but he seems more at peace with it than before.

"He knows what the market eats for sweet cakes and so he is making sure he always has one more story, one more sweet cake to feed them."

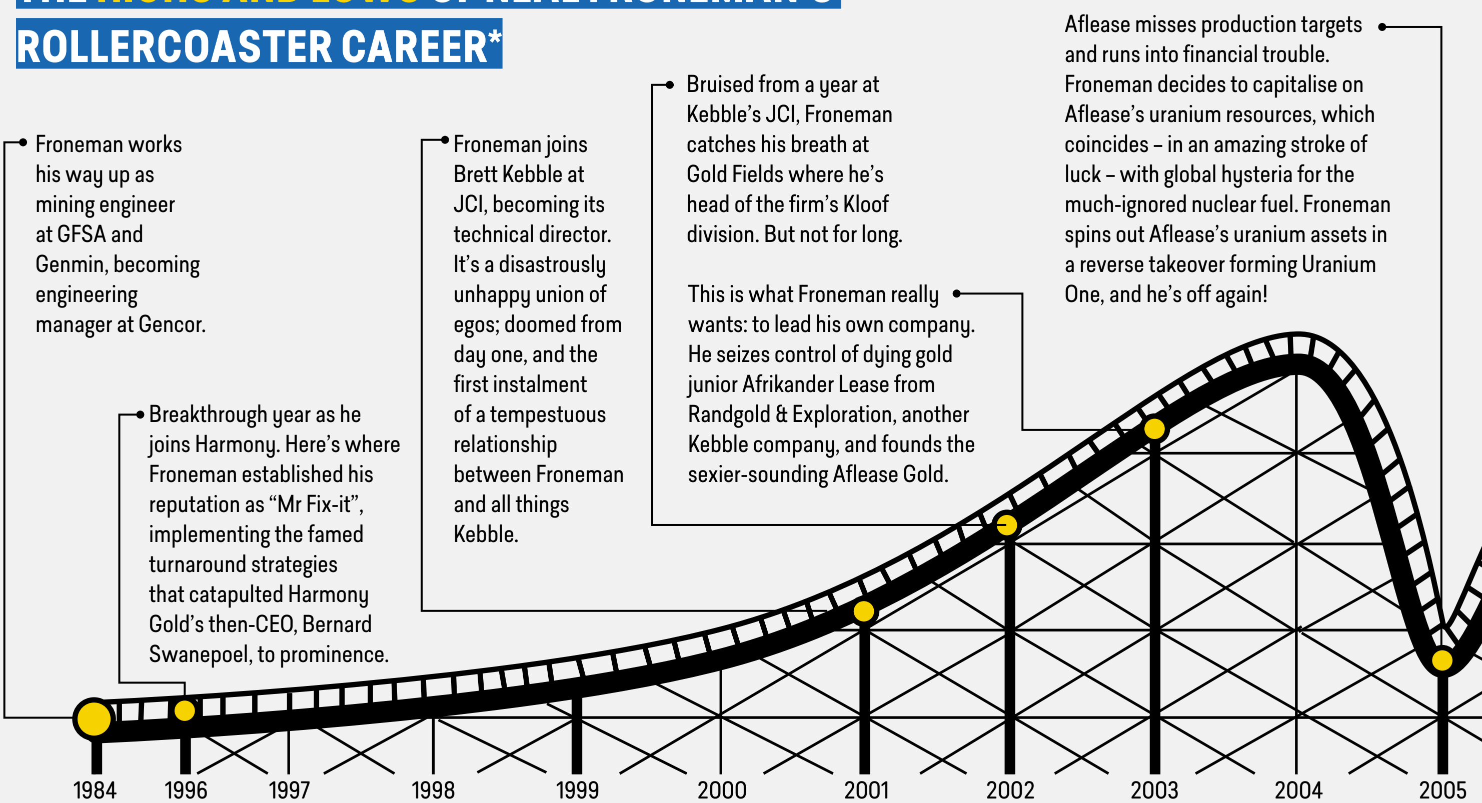
"I would say my biggest disappointment was first of all when I left Uranium One," says Froneman. The second was the failure to develop Dominion at all after his departure from the company. "It reflected very negatively against me and there was zip I could do.

"That was very hard for me so I have that, I suppose, on my CV as a failed project," he says. The project is now in the hands of Shiva Uranium in which the influential Gupta family is a major shareholder.

He reacts strongly, however, against critics who say that Sibanye Gold has a similar short-termism in its DNA.

"We are running a marathon and quite honestly you can have a year like we've had which, yes from a corporate point of view, looks like a great year but from an operational point of view, we're definitely not satisfied."

THE HIGHS AND LOWS OF NEAL FRONEMAN'S ROLLERCOASTER CAREER*



*This is an updated version of a similar graph that first appeared in the *finweek* of 7 November 2013.

Bernard Swanepoel, the former CEO of Harmony Gold to whom Froneman once reported when he was that gold group's COO from 1996 to 2001, thinks the negative attention Froneman has attracted as 'all-hat, no-cattle' to be inaccurate.

"Neal is not 'Mister Short-Term'. What he plans to do at the Rustenburg assets and Aquarius Platinum speaks out against the analysts who think Sibanye is just about harvesting gold assets. He seems to have a much longer-term approach."

Bernard Swanepoel
Former CEO of Harmony Gold

Nick Holland
CEO of Gold Fields

Building Sibanye

The creation of Sibanye Gold almost happened by accident.

Now at Gold One, Froneman and his opposite number at Gold Fields, Nick Holland, were discussing the merits of a joint venture on adjacent uranium and gold tailings dams.

According to Froneman, Gold One had the best uranium surface deposit whilst Gold Fields' Driefontein mine had the best gold dumps.

Neither side, however, could solve the tax leakage associated with putting the deposits together. The next move came from Holland.

"Nick said to me the only way he could move forward with his strategy was to unbundle Driefontein, Kloof and Beatrix and I shared that with my executive," says Froneman.

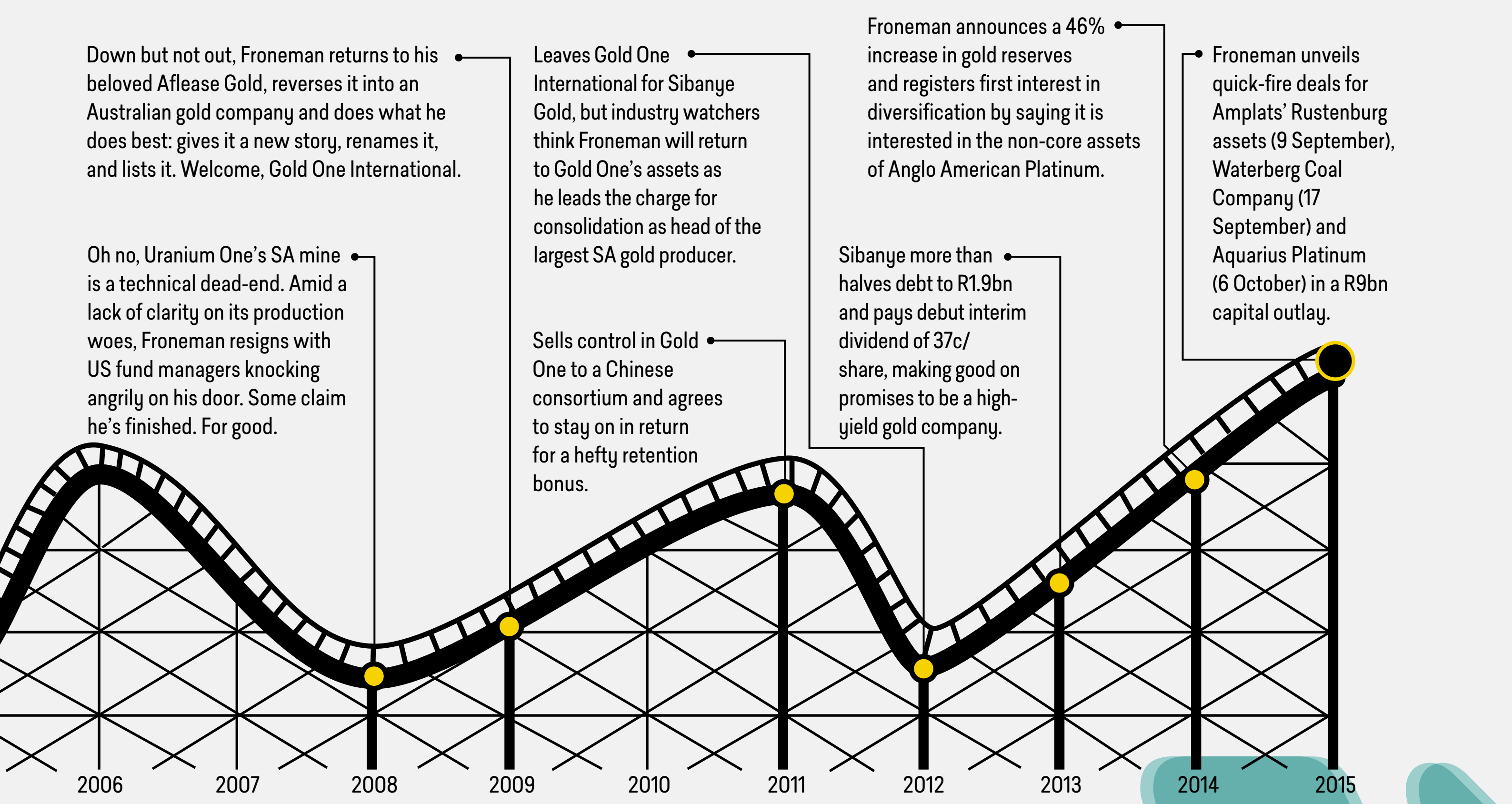
Holland was motivated to act on the gold assets. Gold Fields had experienced a dark passage of highly confrontational strike activity perpetrated by a new union with platinum industry roots – the Association of Mineworkers & Construction Union (AMCU).

Driefontein, Kloof and Beatrix were also becoming more difficult to manage; reserves were falling, and so would production. Holland wanted to focus on South Deep, the largely undeveloped gold resource, also on the West Rand. It was then that Froneman put up his hand to run the demerged company.

Froneman said Holland was keen to play ball because he didn't have a person to run the unbundled assets, and were the unbundling to take place, it had to be successful. Contrary to press reports ever since Sibanye's meteoric rise – which play on Holland's supposed jealousy of Froneman's success at Sibanye – Holland needed Froneman to shoot the lights out.

"I've got to be careful what I say here: I'm not sure that the potential was seen [in Sibanye], but certainly what I can say is that Nick had a great need for this to be successful. An unsuccessful unbundling would have been a huge concrete block around their necks," says Froneman.

Holland is visibly proud of Sibanye Gold. Asked by *finweek* recently if Gold Fields would now consider a dividend expansion programme given its recent run of healthy cash flow, he said: "We won't address the



dividend policy, but we did do a scrip dividend in the form of Sibanye. The market sometimes forgets that every Gold Fields shareholder got a share in Sibanye."

Sibanye's raison d'être was to run the one-time jewels of SA gold mining – Driefontein and Kloof – efficiently by controlling costs whilst tackling some R4bn worth of debt amassed largely by dint of the cost of sitting out an AMCU strike. It also promised to pay dividends.

The notion of dividend yield was gaining huge currency at the time of Sibanye's creation in 2013 because so little of it had been provided to investors. Notwithstanding a decade of the commodity boom, investors felt cheated and dividend yield was their medicine.

Shift in strategy

Once listed on the JSE in February 2013, progress was good. The company established a strong track record of returns, it also promised to keep production at about 1.2m ounces of gold for 10 to 15 years, as well as reversing the trend of declining reserves and resources at Driefontein and Kloof.

This year, however, cracks have developed. Amid a troubled operational period, typified by three fires at Kloof and the prospect of strike action by AMCU after it declined to sign a three-year wage deal, an earlier promise to pay a R1bn dividend looks unlikely.

"It's going to be tough to reach the R1bn. We haven't had a good year. We've had extreme cost escalation, especially on electricity, which is our second biggest single cost that has eaten into margins. We've had underdelivery on our plans so it's tough to pay a dividend," says Froneman.

Analysts are starting to twitch too.

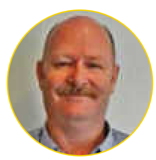
"Every company has a bad quarter or two, that's mining," says Leon Esterhuizen, a gold analyst for CIBC Capital Markets. "However, the big question now is whether Q1 (January to March 2015) and the wage-talk related setbacks in Q3 (July to September 2015) are one-off events or whether the operating momentum has been broken."

They also think the corporate activity in which Sibanye has sought to diversify itself is clouding the picture of why the company was first created.

James Oberholzer, an analyst for Macquarie Bank, said in a note there was too much uncertainty in respect of Sibanye's strategic outlook.

"We believe that the number of moving parts in Sibanye at present is likely to lead to investor uncertainty about the strategic outlook," he said. "While initially sold as a high-yielding dividend play, it appears that there are several other avenues that could well get the call for cash," he added.

Graham Briggs
CEO of Harmony Gold



Dennis Tucker
CEO of Qinisele Resources

Srinivasan Venkatakrishnan
CEO of AngloGold

Esterhuizen believes it's crucial the gold mines continue to thrive as they provide the firepower for Sibanye's growth-by-acquisition strategy.

"In a flat metals scenario, therefore, the operational performance of the gold assets will be the single most important factor driving cash generation and, thus, the success of the company," he says.

"Operational slippages at the gold assets would strain the balance sheet as the company waits for PGM [platinum group metals] cash flows to materialise," he says.

Hanré Rossouw, a portfolio manager for Investec Asset Management, says his company had identified a shift in the strategy at Sibanye Gold. "We have reduced our shareholding over the past year as there has been a shift in strategy from the turnaround of underperforming gold assets to something more opportunistic," he says.

'We don't shoot from the hip'

Says Froneman: "We don't shoot from the hip. Where you have public shareholders, you clearly have to be pretty consistent in your strategy. You can't keep on changing because you'll lose them and you'll lose your support.

"So although we're entrepreneurial, I think we are entrepreneurial from the point of view of doing things differently, but consistently different."

Far from an exercise in corporate ad-libbing, Froneman says the acquisition of assets in other commodities was long part of the Sibanye blueprint. He credits Dennis Tucker, the former Investec investment banker who now runs the under-the-radar boutique financier Qinisele Resources.

"Dennis Tucker worked very closely [with Sibanye] and I have to give him credit for some of the strategy," says Froneman. "The concept of moving into other commodities was established even before Sibanye was listed," he says.

It became apparent to Tucker's team at Qinisele, and Froneman, that the gold industry alone provided limited growth, especially if the plan was to be SA-focused, in which case it would leave Sibanye trying to consolidate with only two other management teams, AngloGold Ashanti and Harmony Gold.

"If you start expanding what you think are your core competencies ... you don't have to be a rocket scientist to see platinum," says Froneman.

Tucker, a long-standing advocate for structural change in the ownership of SA's gold industry, in

"It's going to be tough to reach the R1bn. We haven't had a good year. We've had extreme cost escalation, especially on electricity, which is our second biggest single cost that has eaten into margins. We've had underdelivery on our plans so it's tough to pay a dividend."

particular said Froneman was an ideal candidate to act as industry catalyst. "What's different about Neal is that he has a strong technical capability. Unlike a chartered accountant, he actually knows what is going on underground, as well as the corporate side of the market," he says.

In a sense, Froneman adopted a strategy that seems to have been on the minds of his two SA gold counterparts – with Harmony's **Graham Briggs** financing the Golpu gold deposit in Papua New Guinea, while **Srinivasan Venkatakrishnan, AngloGold's CEO,** saw plans to demerge the firm's SA gold mines and create a diversified SA champion turned down by shareholders.

The business case for SA's gold sector

Does this imply that standalone SA gold mines have a questionable business case, and that Sibanye's expansion strategy reflects this insecurity? Bernard Swanepoel thinks it's become increasingly difficult to turn a profit from mining gold in SA.

"It's hard to allocate capital to the SA gold industry because the returns are not acceptable," he says. "It's not that the orebodies are suddenly worse, it's more the increase in input costs such as electricity and human capital. Add that to the long lead times of, say, 20 years to build a mine and you can see why the gold mining sector is not getting the capital anymore."

Froneman won't say quite where he'll move next as he builds out Sibanye Gold – which he has hinted may change its name to something like Sibanye Resources – but it seems nothing is off-limits.

Asked if Gold Fields' long-standing problems with its only remaining SA asset, South Deep, could present joint venture opportunities, Froneman says: "We have, I suppose, expressed an interest in all good-quality SA assets, including South Deep, if there's an opportunity to partner with Gold Fields."

South Deep is the enormous West Rand gold mine owned by Gold Fields. It is considered the last of the great gold resources bequeathed to SA's Witwatersrand Basin, but Froneman says there will be no "hostile approach" on the mine, which has been valued at R40bn. "There is a value to South Deep, there's no doubt, but I also don't know that it's R40bn. But again, I suppose under the right circumstances we would be interested and it's really up to Gold Fields if they thought we were a partner that could add value."

Given the scope of Sibanye's expansion, it has been inevitable that remarks have been made about how the group fits the bill of an SA mining champion.

"The carbon tax is five shafts in our business and **15 000** people."

This is the concept introduced by former mines minister Ngoako Ramatlhodi, who said government wanted to establish a local investor that would buy the assets no longer wanted by the likes of Anglo American and BHP Billiton.

Industry challenges

Froneman said earlier this year his company had put up its hand in this regard. And there have been meetings. He said the ANC was receptive to his company's plans and that it was cognisant of how the company had invested in the sector and flown the SA flag at international conferences.

Yet government as a whole is a source of enormous frustration to Froneman. He is an outspoken critic. "First of all, I still think generally government despises the mining industry. It is going to have to stop that; it is going to have to nurture the industry," he says.

The second change of behaviour would be to stop taxing the sector so heavily. According to Sibanye Gold estimates, the combined impact of the National Treasury's proposed carbon tax and the tax recommendations proposed by the Davis Tax Committee will cost the company R800m a year.

"Does anyone in their right mind think that isn't going to affect jobs? The carbon tax is five shafts in our business and 15 000 people," says Froneman. However, he remains optimistic about finding a solution. "I do see a scenario where we resolve these things and you actually create jobs," he adds.

"It is very sad that our strategy is underpinned by a lack of competition here. We saw it two years ago, three years ago. How sad is it that you build a business because there's no competition?"

With 2016 just over a month away, Froneman knows Sibanye has to get its gold operations back on track, or face more criticism that management attention has been deflected by the headline acquisition strategy. And the demand for dividend and payback by investors has become more intense, not less, as the mining market continues to deteriorate.

"We've been very clear that dividends will be paid, and they'll be paid on the same number of shares," says Froneman. "The gold market has been squeezed. Yes, the rand gold price has gone up, but we've seen enormous inflation in terms of electricity and others, so your margins have been squeezed.

"But the company is in no worse position because of the platinum acquisitions," he says. ■

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INTERNET UPENDS THE VIDEO STAR

Video-on-demand will be the biggest change to hit the SA television sector since the introduction of pay-TV in 1986. Thanks to broadband, South Africans can choose what they want to see, when they want to see it, and how they want to see it.

By Jon Pienaar

That great disruptor of industries, the internet, is working its magic in the local television sector. Fully-fledged video-on-demand (VOD) only arrived in SA over the past year, but the market is already crowded. While great news for consumers, media companies will find it increasingly difficult to boost revenues in what is becoming a crammed market.

Times Media Group (TMG), which delisted from the JSE in June and is now owned by Tiso Blackstar, entered the market first in September 2014 with Vidi, promising to become "the premier media streaming service in South Africa".

Referring to the company's "evolution to a multi-platform media and entertainment company", Andrew Bonamour, CEO of the TMG, said at the time that Vidi reflected a "new entrepreneurial and innovative mindset for the group that we believe will bring long-term growth and sustainability".

A week later Altech launched Node, a set-top box that hooks up with smart devices to form part of a connected home, in anticipation of the Internet of Things. MTN followed in January this year with a subscription-based, or rental VOD model, called MTN FrontRow Services.

ONTAPtv entered the market in September with a lower price point which could signal the onset of a price war between players in the market.

ONTAPtv has an entry-level package that costs R39 a month for a selection of local soapies, movies and series. Its premium package costs R89 a month, while a similar package at TMG's Vidi costs R99 a month. The premium offering from Naspers' ShowMax is also R99 a month.

ONTAPtv, the first to offer an 'a la carte' type offering locally, is owned by Hong Kong-based PCCW Global – which holds interests in telecommunications; media; IT solutions; property development and investment; and other businesses, including Now TV, Hong Kong's largest VOD service.

ONTAPtv has an entry-level package that costs

R39

a month for a selection of local soapies, movies and series. Its premium package costs R89 a month. Similar packages at Times Media's Vidi and Naspers' ShowMax cost R99 a month.

VOD market grows

Naspers*, which also owns DStv, M-Net and MultiChoice, launched ShowMax in August. It offers US and British movies and series, but also sports a large Afrikaans-language library (going back as far as *Nommer Asseblief*), and other local movies and series. This includes Zulu, Sepedi and Xhosa shows, and some Cantonese content.

All major players offer consumers a free week to try out VOD. Because there is no major installation or decoder required, this comes at no risk to the customer.

The internet has disrupted the broadcast industry, like so many sectors, for one simple reason: it provides choice.

To consume VOD, technically speaking, all one needs is an adequate broadband connection and an internet-connected smart TV. Or viewers can stream content via a PC or Mac. Android and Apple iOS tablets are also supported via an app.

Content is increasingly consumed online through YouTube, Vimeo and dedicated services like iROKOtv. The brainchild of Nigerian expat Jason Njoku, iROKOtv provides Nollywood movies to Africa's diaspora on a subscription basis via an app or browser.

US VOD giant Netflix also supports Microsoft Xbox, Nintendo Wii or Sony Playstation.

It is likely that other players in SA will support the streaming of content for gaming consoles before Netflix enters the local market.

The success of Netflix and Amazon Prime in the US has shown that consumers want more flexibility in their viewing. TV has traditionally been 'appointment viewing' – viewers are locked into watching what broadcasters have purchased, when it is screened. Content is released by the broadcaster on a schedule they determine. VOD turns that on its head, and gives control to the viewer.

Locally, pay-TV was monopolised for some 30 years by Naspers' MultiChoice, and later DStv.

Pay-tv, Naspers' cash cow

MultiChoice has been a major benefit for Naspers, providing much of the cash needed for the group to invest in digital assets in emerging economies, which have yielded significant returns in the long term.

Technology pundit and researcher Arthur Goldstuck of World Wide Worx says Naspers is making another shrewd move with its VOD foray, apparently going into competition with itself. It seems inevitable that those who subscribe to DStv for its movies and series will abandon the service for VOD.

"This is precisely why Naspers has been quite willing to create its own VOD service," says Goldstuck. "[W]hat it's really doing is cannibalising itself before anybody else does."

In April, to help jump-start its service, Naspers acquired a stake in icflix, a service based in the United Arab Emirates (UAE) that currently offers Indian, Arabic, and Hollywood content to Morocco, Egypt, Kuwait, the UAE, Tunisia, and Saudi Arabia.

Goldstuck says Naspers has "a massive advantage because they have a very deep understanding of all of these markets. They have very strongly entrenched relationships with the content owners and they understand what it takes to negotiate licensing deals and the like."

Locally the VOD market straddles several demographic segments. The more affluent market comprises customers who have invested in fibre-optic cables (simply referred to as fibre) that can deliver gigabytes of data at speeds matching and exceeding DSL. Whereas many Telkom exchanges limit DSL to a maximum of 10MB/s or 20MB/s, and most domestic users settle for a 1MB/s or 4MB/s connection, according to industry experts, fibre starts at 10MB/s and goes all the way to 1 000MB/s. The price point of fibre is comparatively lower, too.

The minimum market entry requirement means aiming to be a repository of successful past series, like *Dexter* and *Game of Thrones*, while also providing a cross-section of blockbuster movies, supplemented with local

"There are two drivers of this market-in-the-making: the rapid roll-out of fibre and the [threatening] arrival of Netflix."

Arthur Goldstuck
Managing director of World Wide Worx

or international content. At the other end of the market you'll find mobile providers like MTN, with its FrontRow Services and Vodacom, which entered the VOD market with a service called Video Play in August. An app, Video Play "uses spare capacity on the Vodacom network to download and cache selected video content at a reduced cost", according to the mobile service provider. Rather than billing units of data, Video Play bills in minutes consumed.

The Netflix factor

What's driving the VOD revolution? "There are two drivers of this market-in-the-making: the rapid roll-out of fibre and the [threatening] arrival of Netflix," says Goldstuck.

Netflix was originally founded in 1997 as an internet-based video rental company using the US Postal Service to deliver and return DVDs. It introduced streaming in 2007 and currently operates in over 40 countries, providing access to more than one billion hours of TV shows and movies per month.

In January this year, it announced that it planned to launch in SA by the end of 2016. This, in all likelihood, set the ball rolling for local media companies to enter the market.

"It would be quite a blot on local media companies' reputations if they were to allow a Netflix to arrive here without them having made any attempt to build a market for VOD locally," says Goldstuck.

And, as with cellular telephony in Africa, SA will likely become the springboard for VOD to the rest of the continent.

Netflix's decision was based on the rapid roll-out of fibre-based broadband internet in South Africa. "Netflix clearly recognised that by the end of 2016 we would have a substantial fibre-to-the-home (FTTH) infrastructure across the higher income groups in SA," says Goldstuck. Instead of waiting for a

market to emerge, and then battle for market share, Goldstuck says providers have to create that market, and pip Netflix to the post. "They have to win the business of these households that are newly fibre-empowered."

Netflix has responded, Goldstuck says, by pushing forward its date of release in SA to earlier in 2016. "If Netflix only enters the market at the end of 2016, they'll be battling for the scraps. They will be trying to get market share away from other players. Chances are they'll come in earlier next year to join the fray that's currently underway," he says.

Fibre changes everything

Faster, better broadband internet opens up new technologies, such as video conferencing, VoIP (voice-over-IP) and VOD.

Deregulation of the telecommunications industry in South Africa has allowed several private companies to compete with Telkom in laying fibre for domestic use — also known as fibre-to-the-home (FTTH). Essentially, instead of a 'thin pipe' that allows a trickle, fibre provides a 'fat pipe' at a cost point that is relatively cheaper.

But, while globally fibre subscribers outnumber DSL subscribers, very few South Africans have access to fibre.

Experimenters in SA have shown that it is possible to watch Netflix at a reasonable quality using a 4MB DSL connection. Netflix has smart software that monitors the throughput to the end customer, and adjusts the resolution accordingly.

Telkom states that half a million homes will have access to fibre by the end of 2016, but according to Goldstuck this figure could be optimistic. "At the moment they say they have 38 000 homes with access. What's not clear is whether that's access or use. So what I believe it means is their fibre runs past that number of homes, and the reality is they have far fewer actual customers for fibre."

Private organisations digging up sidewalks and laying fibre add to the overall numbers. Vumatel, the company that launched the first fibre neighbourhood, Parkhurst in Johannesburg, has now signed up around 20 000 customers; MetroFibre Networks has recently been signed to provide cable to the suburb of Sunninghill, which has 6 000 residences; Maboneng Broadband has been commissioned to provide 4 500 residences in Vorna Valley, according to Goldstuck.

"Each time another suburb signs on, it adds another 3 000 to 6 000 homes to the list," says Goldstuck.

"Chances are by the end of next year we will have close to half a million homes — that's not Telkom alone, but in total."

Suburbs that have signed up for FTTH so far have been in the more affluent areas. In general, these households would have more disposable income, which could be spent on VOD. These households are unlikely to cancel their DStv subscriptions overnight, however, at least until (and if) these subscribers find that VOD fulfils all their needs.

Mike van den Bergh
Chief marketing officer of PCCW Global

Smart bandwidth solutions

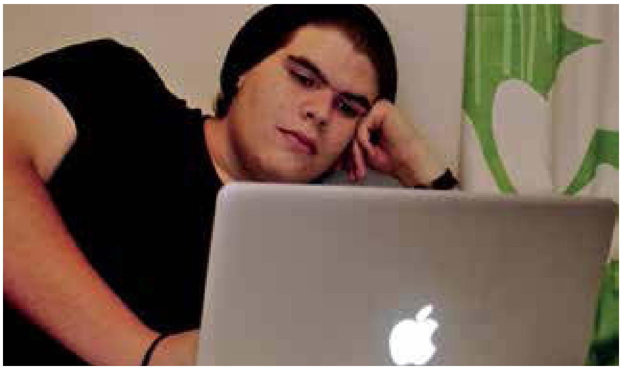
The high cost of broadband remains a stumbling block for South Africans, says Mike van den Bergh, chief marketing officer of PCCW Global.

Locally, broadband access, whether mobile or fixed, is expensive and often capped, unlike in the UK, Europe, North America and Hong Kong.

"So we said OK, that's obviously holding things back — how do we overcome that?" explains Van den Bergh.

ONTAPtv came up with some creative solutions to suit South African consumers, he says. The VOD provider allows customers to download the entire movie onto their laptops, cellphones or tablets when they have access to better/cheaper broadband. It can then be viewed later. The idea is to use free WiFi available in public spaces.

Locally, broadband access, whether mobile or fixed, is expensive and often capped, unlike in the UK, Europe, North America and Hong Kong.



Van den Bergh says that it took some convincing to get studios and distributors to trust the vision they had for ONTAPtv. Copyrighted video is usually protected by Digital Rights Management (DRM) software that requires an internet connection to verify that the content hasn't been illegally duplicated. For the ONTAPtv system to work, this verification can happen offline.

Piracy

While many broadcasters and VOD providers see content piracy as a threat, others see it as a competitor.

"We believe piracy is a competitor, and we'll try and take market share away from pirates rather than looking at it in negative terms where you try and shut it down," says John Kotsaftis, General Manager of Naspers-owned ShowMax.

"I think if you're able to package something together in high enough quality, and you help make it easy for consumers to select what to watch – if it's as simple as lying on the couch and clicking a button – and the price point is reasonable… that makes a lot of sense."

After Netflix and Hulu launched their VOD services in the US, there was a 25% reduction in piracy, says Kotsaftis.

Game changer

However, South Africans may not be prepared to 'ditch the dish' completely for one important reason: live sport.

"DStv's biggest competitive advantage over anybody else in Africa is their control over sporting broadcasts," says Goldstuck. He refers to an example in West Africa where DStv won the rights for the English premier league from a major competitor.

"Overnight [that competitor] became an irrelevant bit player in the market."

Van den Bergh says that ONTAPtv will experiment with alternate sports, like extreme sports or martial arts and boxing.

A boost for local production?

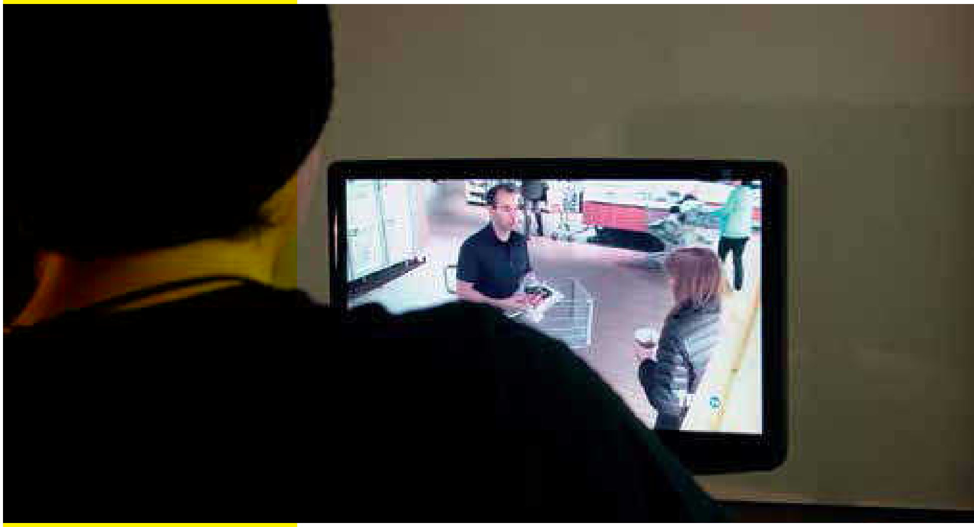
In the US, Netflix and Amazon grew large enough to afford to pay for the production of original movies and series.

Traditionally the SABC was the major producer of local content, says Goldstuck, but "they effectively destroyed the production industry in SA".

"No-one's gone to jail, but it was criminal what they did. The irony is that VOD may well revive that market because all these players want to prove they're locally relevant – they still want to present local content as a differentiator."

ShowMax has purchased content from both the SABC archives and M-Net/DStv.

ONTAPtv, meanwhile, has gone into a partnership with local company Maxum Media Accelerator (MMA) to produce local content, initially exclusive to ONTAPtv. Van den Bergh says that these productions should help to stimulate the local production industry, while giving subscribers fresh, locally relevant content.



The alternatives

Variation in the VOD landscape, provided by the likes of iTunes and Amazon, allow users to purchase downloadable content on a one-off basis, similar to buying a DVD. DStv's BoxOffice also allows PVR subscribers to purchase individual titles in this way at R30 per movie.

Does this mean the death of the video store? It seems so, says Goldstuck: "Whenever I go past a video store I take my kids in, so that they can tell their children one day that they could go into these places where one rented physical movies."

The movie theatre industry, on the other hand, has managed to reinvent itself. Major releases still go to the cinema first, creating a window of opportunity, says Goldstuck.

"A lot of people still want that cinematic experience. Cinemas have ramped up their technology, their comfort, the facilities they offer, so going to the movies has become quite a premium experience. And that's what a lot of people are still willing to pay for – it's still the perfect place for young people to go on a date."

Goldstuck agrees that new local content is important. "There's only so much old local content that people would be willing to watch." But he warns that VOD services would have to build up a fairly sizeable market before local content production would become viable.

Many of the early entries to the SA VOD landscape have already closed doors.

Altech's Node, which required the purchase of a satellite-connected set-top decoder and a steep monthly subscription, has been shelved due to "poor uptake by retail customers".

Times Media Group's Vidi announced in October that it would be withdrawing from the market. But when approached for comment, Vidi spokesperson Janene Matsukis told *finweek* that it was "business as usual", and at time of writing the website www.vidi.co.za was still live. Both Kotsaftis and Van den Bergh are reluctant to give subscriber numbers at this stage, both viewing VOD as a long-term investment. "We've got to do our bit to educate people and to make them aware of the fact that there is an alternative … and this will take time," says Van den Bergh.

But it is a market that Van den Bergh believes is worth investing in, "because it will grow, and we'd like to be a major part of it". ■

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After Netflix and Hulu launched their VOD services in the US, there was a

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reduction in piracy, says Kotsaftis.

John Kotsaftis
GM of Naspers-owned ShowMax

*finweek *is a publication of Media24, a subsidiary of Naspers.*

FROM GAME RANGER TO TECH CEO

Dimension Data's Sandton Campus is a long way from the Eastern Cape's stark rural beauty. So too is the homegrown tech giant's new Middle East and Africa CEO, Grant Bodley. But the lessons that Bodley learnt in the bush haven't left him, writes **Jon Pienaar**.

The story goes that Grant Bodley was a game ranger when South African IT legend Jeremy Ord poached him to join Dimension Data. "I grew up on my parents' dairy farm in a small community in the Eastern Cape, so I was always close to nature and the bush," says Bodley. "But at an early age, I knew that I would move into the business world. So after I completed a BAgricAdmin at Stellenbosch University, instead of taking a gap year and travelling the world, I chose the bush."

Bodley landed a job at Londolozi, where he met Ord and took the man who founded Dimension Data on game drives. During their time together Bodley told Ord about his plans to create a business, something the game ranger had already started, albeit on a small scale.

The idea? Seawater is believed by many South Africans to have health benefits if consumed, so why not bottle the liquid and sell it? To expand his fledgling business, however, Bodley needed to build a bottling plant, which meant getting an investor on board.

"Today, information is a currency, so it's becoming more and more critical for organisations to protect their clients, their employees, and their company data from online hackers who are highly sophisticated and coordinated."

But Ord had other ideas and persuaded the 25-year-old Bodley to shelve his plans and switch from manufacturing to IT. And so Bodley left the wild to begin a career with Dimension Data in the sales division in 2000.

Ord, founder and chairperson of Dimension Data, had started the company in 1983 together with friends and a loan from FirstRand. Twenty seven years later, in 2010, Japan's Nippon Telegraph and Telephone Group would acquire Dimension Data for £2.12bn (about R45bn).

But let's get back to Bodley. *finweek* asked the former game ranger if there was anything he learnt from his time in the bush that's relevant to the world of high tech. "Surprisingly, working in the bush taught me profound life lessons and skills, and in fact bolstered my vision to move into the commercial world," he says. "Top of my skills list was to interact with people – mostly at CXO [any corporate] level – from across the globe, with different cultures, and deliver a great service, however small that service may be," Bodley adds.

Bodley says there is also a deeper, more philosophical lesson that still stands him in good stead: appreciation. "We spend so much time worrying about the small things in life ... the car we drive, do we have the right colour of tie for a meeting, and so on. We forget to breathe in and appreciate the colour of the sky, watch the mist rise in the summer

Grant Bodley
Dimension Data's new
Middle East and Africa CEO

rain, pondering the simple life of an animal – whether it be the hunted – or seeking out food and water," Bodley admits.

Chasing growth

In October this year, after spending a decade and a half with the global tech company, Bodley took over as CEO of the Middle East and Africa division of Dimension Data. This means he will play a pivotal role in helping to manage a company that today employs around 28 000 people to service some 6 000 clients in 58 countries across the world. Expectations of performance will be high – in 2014 the global technology company took home 50 client, vendor and industry awards.

The world of IT has changed immeasurably since Bodley joined the company 15 years ago. His new role, he notes, comes with considerable challenges, not the least of which is delivering a world-class experience to Dimension Data clients. Other big challenges, he says, include: "A volatile economy, exchange rates, and the evolving, fast-moving pace of technology [which] means we have to stay ahead of our game to deliver value to clients. On the African continent it's about watching the competitor landscape, and keeping abreast of changing regulations in each country."

Moving a company forward in uncertain times demands astute management, and for Bodley this means having an open leadership philosophy. "I'm a values-based, transparent leader," he says. "It's important to be accessible to my people. I believe that your people identify with you because of who you are, rather than what you represent," he adds.

Bodley has built up a considerable reputation with clients, which he attributes to one thing: "Authenticity. I care deeply about our clients, our people, and our brand. Building relationships with both clients and my team is a passion. I often ask myself: are my intentions sincere and honest? Am I delivering on those intentions? If the answer is yes to both, then you'll build a long-lasting professional relationship, which may turn into a personal friendship."

Describing himself as "a true South African", Bodley says he admires people who are sincere, honest and caring – values he aims to instil in himself and his team. Also important is the ability "to get my hands dirty, and knuckle down and put in the hard yards to achieve the best outcome both professionally and personally".

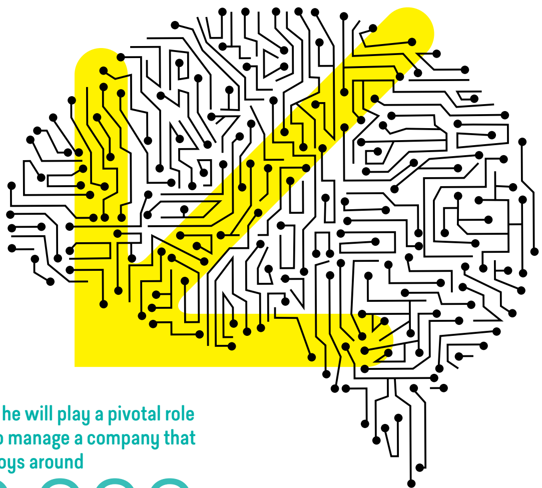
LEADERSHIP LEARNINGS FROM DIMENSION DATA'S BODLEY

1. Business is all about people. Our brand has always attracted dedicated and talented people in the marketplace.

2. Peter Drucker's statement "culture eats strategy for breakfast" rings true. Culture is all about living our values. At Dimension Data, our values are not just posters on the wall.

3. Surround yourself with capable, motivated people. Relationships are critical to the way one does business. I believe client relationships are built on trust. It starts with the employee, then the organisation as a whole and, finally, a delivery track record. Delivery and driving innovation and, yes, sweating the small stuff for clients is a deal maker.

4. Finally: prioritise, prioritise, and prioritise.



This means he will play a pivotal role in helping to manage a company that today employs around

28 000

people to service some 6 000 clients in 58 countries across the world.

A changing environment

The world of technology is changing, and one aspect that Bodley has earmarked for special attention is cyber-security. "Today, information is a currency, so it's becoming more and more critical for organisations to protect their clients, their employees, and their company data from online hackers who are highly sophisticated and coordinated," he says.

Technology is also transforming business in unexpected ways, says Bodley. From smartphones to the Internet of Things, to disruptive applications like Uber, Airbnb and GitHub. Bodley explains: "According to the book *Exponential Organisations*, in the 1920s the life expectancy of an S&P 500 company was 67 years. Today it's just 15 years. I believe that in the next five to 10 years, organisations will have transformed into digital businesses."

Driving growth

Bodley speaks proudly of the innovations that Dimension Data has made, one of which was in the world of international sport. "A good example of this is the big data analytics platform that Dimension Data delivered at this year's Tour de France. For the first time in the history of professional cycling, highly accurate data was collected through the use of live trackers under the saddle of each of the 198 riders. Our teams processed and analysed this data, and made it available to broadcasters; over 2 000 media on the tour; 3.5bn cumulative TV viewers in 190 countries; 12m spectators who line the route on Le Tour; and over three million social media cycling fans."

The data included each stage winner's top speed; average speed and time per kilometre; the speed of the winner at the finish line; the top speed achieved by a rider on the day; the average speed across all riders; and the precise time between the first and the last rider.

"Our analytics team analysed one cyclist cycling at an astounding 104km/h. This type of data had not been available in the past."

Opportunities

In the world of business, says Bodley, new levels of technical capability transform the entire landscape, especially when it comes to things like real-time big data analytics, Elastic Cloud Infrastructure, contemporary digital platforms and other advanced collaboration technologies. "What we're seeing is that executives are looking to their Chief Investment Officers to lead digitisation and find ways to exploit IT to enable the business to better compete in the digital era," Bodley says.

When it comes to the future of South Africa, Bodley is optimistic – even passionate. "We have an amazing country with massive opportunities. Of course we have our challenges, but complaining is not the solution. We need to see the good in not only our country, but in each other. As a country, let's find ways to make a difference." ■

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on the money

THIS WEEK:

CEO INTERVIEW **By Buhle Ndweni**

From Stellenbosch to Spain
SA children's brand goes global

High-end children's fashion brand Sticky-Fudge, now in its sixth year of existence, has grown from selling a few designs at an organic market in Stellenbosch to building a global brand with a presence in the world's fashion capitals of Paris, Spain, Italy and New York.

Sticky-Fudge clothing is available in 39 countries around the world including Russia, Poland, China and the UK, and has plans to launch in the US in March 2016.

Six years ago, towards the end of 2009, Frinette Tolken started getting orders from customers who saw her kids' fashion brand Sticky-Fudge at an organic and natural product market in Stellenbosch. By mid-2010, she was supplying 12 boutiques with her clothing, which is characterised by its vintage style, unique look and creative designs.

Today, Sticky-Fudge caters for children aged 0 to 10. The company plans to go up one size per season until they reach the 14-year size. The business is nearly doubling production volumes year-on-year and the number of people employed has increased from three in 2011 to about 40 people currently. In 2014, the first Sticky-Fudge store opened at the Tyger Valley shopping mall in Bellville.

The brand got exposure in the international market when tourists, usually grandparents on holiday, started buying garments and taking them home for their grandchildren.

"My focus from day one was that I wanted to build an international brand. Overseas people are more trend-focused and they don't mind spending quite a lot of money on an outfit," says Tolken.

Today, Sticky-Fudge clothing is available in 39 countries around the world including Russia, Poland, China and the UK, and has plans to launch in the US in March 2016. It offers three fashion categories: basic garments that retail from R99 to R159; a trendy category that retails

In order to introduce its kiddies fashion to new markets, Sticky-Fudge showcased designs at international fashion shows for children's wear.

from R128 to R422; and a tailored range, which includes products like jackets and coats, with prices ranging from R326 to R545.

In order to introduce its kiddies fashion to new markets, Sticky-Fudge showcased designs at international fashion shows for children's wear such as the Pitti Bimbo in Florence, Italy; Paris Playtime; Bubble London and the ENK Children's Club Show in New York City.

The company also has two online stores, one catering for SA and another for customers in Spain. A third online store to cater for Europe is expected to be ready for launch early next year. Currently, Sticky-Fudge sells in SA, Namibia, Lesotho, Swaziland and Botswana. The Spanish online store was a result of a joint venture with Sticky-Fudge's territory agent and has resulted in soccer player Iker Casillas – goalkeeper for the Spanish national team – dressing his toddler in Sticky-Fudge clothing, Tolken says.

How she did it

Tolken invested R2.5m of her savings and loans from family to get the business off the ground. Four years ago, on recognising the potential of the business, the Industrial Development Corporation (IDC) invested a significant amount, which Sticky-Fudge would not disclose, to assist the business to expand internationally. The IDC is busy with the third transfer of working capital funding into the business, Tolken says.

Operating and expanding a business in the current economic climate – where consumers seem to be buying less – can be challenging, especially when it comes to managing and planning cash flow, explains Tolken.

Tolken gained a lot of her business knowledge from her parents, but also through trial and error, she says. Her parents, both very business-orientated, taught Tolken to be financially independent.

"There's a reason why not just anybody can start a business. It's very tough, especially in fashion," she says. "When I started the business I made a decision to make it work and I eat, breathe and sleep Sticky-Fudge. I had no life until now."

The company is looking at franchising opportunities for its brand. Once established locally, Sticky-Fudge will also look at expanding franchises abroad after several requests from around the world to do so, she says.

Selling to a major retailer (Truworths acquired local children's wear brands Naartjie and Earthchild earlier this year) would not be considered lightly, Tolken says. For now, the focus is on retaining the brand's exclusivity and quality, and building its local and international presence to reach Tolken's dream: to become one of the top children's wear brands in the world. ■

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"My focus from day one was that I wanted to build an international brand. Overseas people are more trend-focused and they don't mind spending quite a lot of money on an outfit."

Frinette Tolken
of Sticky-Fudge

Tolken invested
R2.5m
of her savings and loans from family to get the business off the ground.

5 ENTREPRENEURIAL LESSONS:

1. You can't do everything yourself. Know what your strengths are and focus on that. "That's where I failed in my first business. Don't try to be an accountant if you are a designer," says Tolken.

2. Know exactly what you are signing. "Make sure you have the right people overlooking contracts; don't just sign anything. You can get people who will take you to the cleaners if you don't know your stuff."

3. Have a clear vision of what your end goal is because then things start falling into place much better. "And when it gets tough, you see that vision," Tolken says.

4. Employ the right staff. "We will not employ anybody if fashion is not their passion."

5. Tolken says marketing plays a crucial part in growing a business. "You can be doing the most beautiful work, but no one knows about it if it's not communicated correctly."

Sticky-Fudge includes three fashion categories: basic garments; a trendy category; and a tailored range.

By Jaco Visser

Funding your new business' equipment

Most new businesses require equipment that is crucial to producing goods or services. These may range from telephone systems and IT equipment, to machinery. *finweek* spoke to a banker about available funding options when purchasing equipment.

Buying equipment for a new business can be an expensive capital outlay, which may not be readily available to the new business owner. Different funding options exist for purchasing equipment, notably instalment sale loans and leasing agreements.

Buying equipment entails taking ownership. So if ownership is what you're after, your most conventional funding product is a normal instalment sale, says Toni Fritz, head of vehicle and asset finance: business at Standard Bank.

"Leasing agreements may also allow for the option of purchasing the equipment or asset at a market value and/or depreciated value, depending on the agreement with the lessor, at the end of the lease term," she explains.

Financing equipment purchases offer benefits to business owners, even if they incur a finance charge.

"They allow businesses to depreciate capital expenditure over a period of time which then frees up cash for other business activities," Fritz says.

An instalment sale allows the business owner to take ownership of the asset at the end of the agreement and the residual value of the asset can provide additional value when it is sold, explains Fritz.

A lease agreement can allow the business to expense the full cost in its income statement, which may provide tax benefits. Business owners should however always check with their tax adviser to find out what is best for the business, Fritz says. ■

editorial@finweek.co.za

THE DIFFERENCES BETWEEN AN INSTALMENT SALE LOAN AND LEASING AGREEMENT

Instalment sale loan	Lease agreement
Once a loan has been repaid, the asset is owned by the purchaser.	The asset on lease remains the property of the leasing company.
A deposit may be required.	No deposit is required.
Maintenance is not usually included.	Maintenance could be included in a full maintenance lease.
Loan or instalment sale periods can be over set periods.	The repayment period of an asset may be longer than an instalment sale.
Once a loan has been repaid, nothing further is repayable.	If you want to keep an asset after the lease has expired, an additional fee could be required.
The residual value of the asset can add some value at the end of the instalment term.	There is no benefit as the asset must be returned to the lessor.
An asset bought on an instalment sale cannot be swapped during the contract's term.	Some leases allow for the equipment to be upgraded during the life of the lease.

Toni Fritz
Head of vehicle and asset finance: business at Standard Bank

CHECK YOUR FUNDING AGREEMENT

Fritz says business owners should note the following when they read through a funding agreement:

■ Ensure that the repayment period isn't longer than the lifespan of the asset and/or that it is in line with the depreciation method the business uses.

■ Check the cancellation and early-termination clauses of the agreement as they could be quite onerous. Business owners should be aware of their rights and obligations as it pertains to these clauses.

■ Ensure you understand the terms of the agreement with the funding provider, including any residual or balloon payments, if applicable.

■ In the case of a leasing agreement, the business owner should understand the hours of operation in the agreement; which fees apply to excess hours; and ensure they are able to afford the additional costs. The business owner can also renegotiate the hours of use with the lessor for optimal benefits.

■ In the case of a leasing agreement, the business owner should ensure that if the lease includes a maintenance obligation or is provided for, they adhere to the maintenance intervals to ensure warranties and other cover on the asset remain in place.

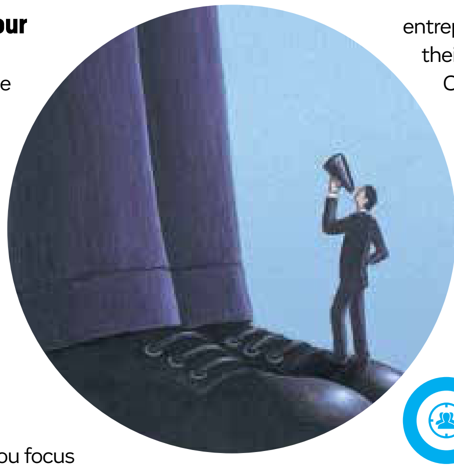
Financing equipment purchases offer benefits to business owners, even if they incur a finance charge.

By Jason Goldberg

SMALL BUSINESS

5 things to consider before scaling up

When success comes knocking, many SMEs have to make a decision: do they stay small or aim for the big leagues? These are five of the most important possible stumbling blocks for SMEs who are considering scaling up.



1. Make building an A-team your first priority

Most entrepreneurs fail to make the transition from entrepreneur to enterprise leader. Once you have product/market fit and a business worth growing, your priorities as CEO shift. You can no longer be primarily focused on sales, innovation and production. Instead, your top priority becomes building the team and organisation that will in turn drive sales, innovation and production and manage all other elements of the day-to-day operations. If you, as the owner, don't make the transition from hands-on doer to enterprise builder and leader, you'll get stuck fighting fires all day. If you focus on building an A-team and an organisation that performs, the organisation will do the rest.

2. Clearly answer the simple question: "What do you do?"

You need a simple 'elevator pitch' on your business' unique contribution to the world. It tells customers why they need you, in the language of their needs. Simplicity and clarity take time. 'We help companies save money and time on waste disposal'. 'We create cheap dream holidays.' Build your entire business around this statement.

3. If you're not an enterprise leader/scale-up CEO, get one

Take a role in the business that fits your strengths. If your business is going to grow (say, to 10+ white collar staff) and you have never had a senior management role in a well-run business, it is most likely you do not have the skills, experience, knowledge, or desire to run your company well. I say 'desire' because while every entrepreneur wants to run their business well, that is until they know what that entails! Most – if they only knew what lay ahead – would choose to do what they are good at (e.g. head up marketing, or sales, or product development) and just hire a great CEO.

In my experience, roughly 20% of really great entrepreneurs have the aptitude to make really great scale-up CEOs. Becoming an enterprise leader is a 10-year journey that entrepreneurs need to compress into two to three years while spending 80 hours a week running a business. It's painful. Fewer than half of the really high-potential entrepreneurs who choose to stay in charge manage to grow their skills and knowledge fast enough to remain a good CEO in practice. Most become the main bottleneck to their own company's growth and performance, and the achievement of their own dreams. And they don't realise it. To avoid this, either:

- Make re-inventing yourself into an entrepreneur leader one of your top three business priorities (and do not underestimate how hard this is in the midst of the entrepreneurial vortex), or
- Hire a CEO with the skills and experience to lead and scale an organisation, and take a role that fits your strengths.

> In my experience, roughly
> **20%**
> of really great entrepreneurs have the aptitude to make really great scale-up CEOs.

4. Focus on the customer and not the product iterations.

It is easy to assume product innovation always leads to more customer value and a better business. But actually it most often doesn't work out that way because inventors and innovators have a habit of falling in love with innovation itself. Great companies are built from the departure point of the customer's psychology. Get in their heads. Focus innovation on 'wowing the customer'. Pretty early on, 'wowing the customer' will be driven as much by organisation development (business processes, information systems, leadership development, etc.) as it will by product innovation.

5. Shift the focus from finding to executing

Once you have something scalable, shift attention from finding to executing. Another fundamental shift takes place once you're through the start-up phase, which happens when you consistently have sales growth because the market wants your offering and will pay for it, and you have a scalable business model. At this point, the entire organisation needs to shift 'mode' from finding a business worth scaling, to actually scaling it. The mindset shift is from experimenting to executing. It is often true that many great people who loved the start-up phase do not enjoy the scale-up phase and land up leaving. It's in many ways sad but also an unavoidable part of scaling great businesses. ■

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Jason Goldberg is the executive director of Edge Growth, which was established in 2007 to help corporate customers across industries integrate their enterprise and supplier development programmes into their procurement and supply chain strategies. He is also chief investment officer of the Vumela enterprise development fund, a social venture capital fund Edge manages in partnership with FNB.

By eatout.co.za

SA's top 10 restaurants

In recent years, there has been a food revolution in South Africa. Today, the country boasts dozens of restaurants, offering world-class cuisine, and diners can enjoy dishes prepared by phenomenal culinary talent. The team from *Eat Out* recently took on the difficult task of deciding which of the country's restaurants deserve a spot on the Top 10 list.

The winners of the 2015 *Eat Out* Mercedes-Benz Restaurant Awards were announced in November. Here are the country's best restaurants, as voted for by the panel of judges:

Greenhouse at The Cellars-Hohenort came fourth and its recently refurbished restaurant took home the 2015 Boschendal Style Award.

1. The Test Kitchen

Woodstock, Cape Town
Tel: 021 447 2337

Taking the title of Restaurant of the Year for the fourth year running, Luke Dale-Roberts's edgy fine dining restaurant continues to display utter brilliance.

"Creativity, talent, innovation and oh, the food! This is what places The Test Kitchen at the forefront of South African dining," said judge Abigail Donnelly, editor of *Eat Out* magazine. Top-notch servers patrol the buzzing space in Cape Town's Old Biscuit Mill, and tables book up many months in advance. The contemporary menu is an eclectic blend of east and west. Think – if your imagination can manage it – shiitake in squid-ink chawanmushi with chestnuts, or a springbok rose of liver, chestnuts, beetroot and cocoa nibs.

2. La Colombe

Constantia, Cape Town
Tel: 021 795 0125

Chef Scot Kirton took home the title of S.Pellegrino Chef of the Year at this year's awards – and the restaurant leapt from being a nominee in 2013, to the number two spot this year. At the new venue on the Silvermist Estate in Constantia, the restaurant is perched on the side of the mountain like a modern, elegant lodge. Scot is taking the opportunity to experiment and add a playful touch to his pretty plates. Lift the lid of a tuna tin to find a Lilliputian seared tuna tataki, or sample the hen's egg with poached salmon, asparagus velouté, peas and black forest ham. Pastry chef Glen Williams is full of imagination – and the dessert of ginger curd, cashew cake with mango sorbet, black sesame brittle and buttermilk is not to be missed.

Chef Scot Kirton
La Colombe

3. The Tasting Room

Le Quartier Francais, Franschhoek
Tel: 021 876 2151

Margot Janse celebrates 20 years at the restaurant in 2015, and dining here is an experience to savour. Set aside three hours for the eight-course menu, which is constantly evolving but always pays homage to our country. Dishes like "A day at the beach" – a fish dish with seaweed, eugenia, buchu and Natal wild plums – uses local ingredients to set the scene for a proudly local story. The restaurant also took home this year's Service Excellence Award (for the second year running) thanks to its superbly trained storytellers that serve the diners.

4. Greenhouse at The Cellars-Hohenort

Constantia, Cape Town
Tel: 021 795 6226

The menu at this Constantia restaurant is full of drama and detail, and each artfully dabbed dot on the menu is packed with flavour. Standout dishes include a masterful cheese course displaying Dalewood's Huguenot as a soufflé, in its pure form; in a panna cotta; and as a creamy, magnificent ice cream. The restaurant has recently been refurbished and took home the 2015 Boschendal Style Award for its stylish charcoal walls, bare timber tables and comfortable leather chairs.

5. Five Hundred

Sandton, Johannesburg
Tel: 011 292 6000

Undoubtedly the brightest star on the Johannesburg skyline, the Saxon Hotel's flagship restaurant delighted the judges with inspired technique and seasonal produce-driven creations from the hotel's rooftop garden. Executive chef David Higgs has announced his departure at the end of 2015, and will be succeeded by head chef Candice Philip. Highlights include kabeljou pickle with a chorus of sultanas, broad beans, raw pea juice and toasted nori and the kudu loin with sherried gooseberries. Sommelier Lloyd Jusa took home the 2015 Wine Service Award.

Images supplied by EatOut

6. The Restaurant at Waterkloof

Somerset West, Western Cape
021 858 1491

This wine estate restaurant makes the Top 10 list for the first time this year – and chef Gregory Czarnecki is cooking his socks off, creating fare as light and ethereal as his glasshouse lair in the Helderberg mountains. Dishes might include a farmed Mulloway kabeljou with pistachio, broccoli and endive, or Joostenberg Vlakte duck with orange confit and a sultana fritter. "Gregory's cooking has never been this good. The flavours are incredible and his attention to colour and styling are just phenomenal," said Donnelly.

7. Restaurant Mosaic at The Orient

Elandsfontein, Pretoria
Tel: 012 371 2902

Presided over by the supremely talented Chantel Dartnall, this restaurant turns out dramatic, emotion-led dishes, offset by precise attention to detail. The salmon ceviche might be topped with caviar, gold leaf, lemon oil and buttermilk; and a purple glass plate in the shape of a shell holds a luscious plump oyster on a bed of seaweed, in Champagne foam with caviar and a hand-crafted 'pearl'. A charming and magical menu in this sumptuous space make for a supremely memorable journey.

8. Terroir

Stellenbosch
Tel: 021 880 8167

Chef Michael Broughton serves unpretentious but uncompromisingly delicious cuisine. A starter of prawn risotto with sauce Americaine is so good, it may spoil you for the rest of the meal. The parmesan risotto, topped with succulent sautéed prawns is a marvel of balanced flavour and textures. The menu may appear simple, but brace yourself for the depth and technique. A relaxed, country-atmosphere makes this the perfect venue for a winelands lunch.

Dramatic dishes
Restaurant Mosaic's dishes show precise attention to detail.

...this restaurant turns out dramatic, emotion-led dishes, offset by precise attention to detail.

9. The Pot Luck Club

Woodstock, Cape Town
Tel: 021 447 0804

The Test Kitchen's younger sibling makes the Top 10 list for the first time this year. At the top of the Old Biscuit Mill's silo building, with wraparound views of the Mother City, head chef Wesley Randles, under the guidance of Luke Dale-Roberts, turns street food into fine dining, in a thrilling array of tapas dishes. Don't miss the springbok carpaccio with pine nuts or the smoked beef fillet with truffled café au lait sauce. A generous wine menu is complemented by outstanding cocktails like a 'Thai green curry' and the perennially popular pineapple-vanilla Cosmo.

10. Jordan Restaurant

Stellenbosch
Tel: 021 881 3441

Chef George Jardine and his head chef Kyle Burn are turning out food bursting with flavour – high on technique and low on flash-in-the-pan trends. Moreish smoked Kroon duck breast with sautéed duck liver and cauliflower jus, or a honey and poppy-seed soufflé will comfort even the most seasoned diner. The tranquil views over the lake and distant mountains make this a stellar spot for a warm, spectacular lunch. ■

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To read more on the best restaurants in the country, see the latest edition of *Eat Out* magazine, on shelves now.

Set aside three hours for the eight-course menu, which is constantly evolving but always pays homage to our country.

By Ian F Wilkinson, Dan Ladley and Louise Carley Young

Bonus time? Research shows it's better to reward groups

Organisations tend to reward individual performance but recent research found group rewards can produce more cooperative, better performing groups and, counterintuitively, also the best performing individuals.

Gallo Images/iStock

Virtually everyone lives and works in a team, but there is a tension between what is good for the group and what is good for the individual. Within a group competitive individuals do better, but cooperative groups as a whole do better.

Organisations tend to reward individual performance such as sales or production but this can be counterproductive because it tends to produce very competitive groups. An alternative is to reward group performance but this carries the risk of free riders, shirkers or loafers who ride on the coattails of others.

But in recent research published in the *Journal of Business Research*, we found group rewards can produce more cooperative, better performing groups and also better performing individuals than individual-based reward systems. We also established that poor performers may not be free riders or shirkers but may be essential to the effective functioning of the group. We call them self-sacrificers and believe their role is underappreciated and misunderstood.

Our research was inspired by theories of group versus individual selection in biology and especially experiments to breed better egg-laying hens. The norm in the industry has been to do this by breeding from the best egg-layers, which increased egg production but also produced cages of aggressive "mean bad birds" with short life spans, raising serious animal welfare concerns. William Muir tried another approach by breeding from all the hens in the best laying cages, not just the best layers. This quickly produced "kind, friendly chickens" who got on well, had normal life spans and better quality eggs.

John Nash
Inventor of the Nash equilibrium

William Muir
Evolutionary biologist at Purdue University, US

Robert Axelrod
Researched the prisoner's dilemma

We applied these ideas to work groups by building computer models that allowed us to consider all types of group situations. We modelled group interactions as games like the iterated prisoners' dilemma (IPD).

The prisoner's dilemma is based on the situation of two prisoners who can cooperate by not dobbing (informing) on each other. If neither dobs they get the same sentence; if only one dobs they get a lighter sentence and the "sucker" gets a worse sentence. If both dob they do better than a "sucker" but not as well as if both keep quiet. In a one-time game it is best to dob to avoid the suckers payoff (Nash equilibrium) but if the game is played a number of times (iterated) the best strategy is not so obvious.

Robert Axelrod showed, in a series of computer tournaments using the iterated prisoner's dilemma, a simple cooperative strategy won. The strategy was tit-for-tat, involving cooperating and then doing whatever the other did the last time. It was cooperative, provokable, forgiving and easy to spot. Based on his methods we examined the effects of individual and

THE NASH EQUILIBRIUM

The Nash equilibrium is named after its inventor, the mathematician John Nash who inspired the movie, *A Beautiful Mind*. Nash, who won the Nobel prize for economics in 1994, died earlier this year in a car crash at the age of 86.

To test for a Nash equilibrium, reveal each person's strategy to all players. The Nash equilibrium exists if no players change their strategy, despite knowing the actions of their opponents. Investopedia uses the following example: Imagine a game between Tom and Sam. In the game, both players can choose A) receive R50, or B) lose R50. Logically, both players choose strategy A and receive a pay-off of R50. If you revealed Sam's strategy to Tom and vice versa, you will see that no player deviates from the original choice. Knowing the other player's move means little, and doesn't change behaviour. The outcome A, A represents a Nash equilibrium.

SOURCE: Investopedia.com

Not only did the best individuals emerge under group rewards but also the worst performers.

group rewards for more than 14 000 games, including the iterated prisoner's dilemma, so as to mimic different types of group situations.

Each period or generation, group members played each other a number of times and we identified the best performing individuals and groups. For the next period we repopulated the groups with copies of the best performing individuals (individual rewards) or all the individuals in the best groups (group rewards). Using a technique called genetic algorithms we also created some new hybrid individuals from the best performing individuals or group members. We did this over many periods to simulate the evolution of groups and performance and repeated the experiments many times.

We found that for most types of games group rewards do best. These produce cooperative, high-performing groups but also, counterintuitively, the best performing individuals. It depends on the alignment of rewards. If "what's good for GM is good for America", then individual rewards work best. But most groups don't work like that; people depend on each other and can help or hinder.

Group rewards generate the top-performing individuals because of a supportive group ecology, a mix of strategies that supports and sustains them. Individual rewards produce non-cooperative groups of individuals bent on exploiting each other – like the mean bad birds or "jerks at work". No strategy, like tit-for-tat dominates, and different mixes of strategies can emerge to support high-performing groups.

Not only did the best individuals emerge under group rewards but also the worst performers. They are not shirkers but self-sacrificers, whose value isn't captured by individual performance measures. They play an important role in boosting the performance of others. You have probably run across such people in your own work groups, the nice guy who helps everyone else but whose own work may suffer. If they get sacked the group falls apart. These people don't seem to have attracted much research attention in real groups, but they should. ■

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THE CONVERSATION

Ian F. Wilkinson is a professor of marketing at the University of Sydney. **Dan Ladley** is a senior lecturer in finance at the University of Leicester, and **Louise Carley Young** is a professor of marketing at the Western Sydney University. This article was first published by The Conversation Africa and can be accessed at https://theconversation.com/africa.

It's time for anther quiz! If you wish, you can complete it online on fin24.com/finweek. The answers will be posted on our website on 7 December. Congratulations to Mathe Leballo, who won Tony Manning's *What's Wrong with Management and How to Get It Right.*

1 To which country does the autonomous territory of Greenland belong?

2 **True or false?** The South African Reserve Bank has left the repo rate unchanged.

3 Which country's flag features a crane?
- Finland
- Uganda
- Thailand

4 **True or false?** Last week's cover story was about the platinum sector.

5 Which writer was born on 20 November 1923?
- Nadine Gordimer
- Ernest Hemingway
- Ngũgĩ wa Thiong'o

6 **True or false?** Nick Holland is the CEO of Sibanye Gold.

7 For how many years running has The Test Kitchen won the Eat Out Mercedes-Benz Restaurant Awards?

8 Which country shot down a military plane – for violating its airspace – close to its border with Syria on 24 November?
- Jordan
- Turkey
- Lebanon

9 Name the new CEO of the South African Post Office.

10 **True or false?** It is estimated that the drought will have a severe impact on the price of rooibos tea.

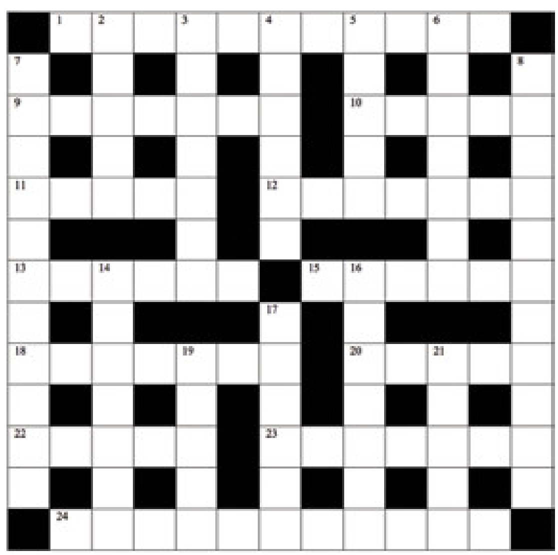
CRYPTIC CROSSWORD 610 JD

ACROSS

1 Desecrate second century Arab battleground (7,4)
9 David's wife's lady's-maid? (7)
10 French company look to recall cosmetic acid (5)
11 Rule no men allowed in dwelling place (5)
12 Support being at university but don't attend (5,2)
13 Horse goes rogue from the start (6)
15 Miss dame in distress (6)
18 Come to the conclusion on French road to the south east (7)
20 Saint not insubstantial (5)
22 Organisation of American States is undergoing a period of calm (5)
23 Promo should be pulled (7)
24 Jenny intended, we hear, to instigate summary charges (11)

DOWN

2 Bring order after a row, we hear (5)
3 Take up residence in a city (7)
4 Like a hooter? (6)
5 Writer's old mother's benign tumour (5)
6 Exaggerated about girl on first date (7)
7 Works at give away outlet (7,4)
8 Pins and needles treatment? (11)
14 Sally's digs (7)
16 When guru is around you sound calm (7)
17 Hatches, we're told, are features on a boat (6)
19 Circulate matter of public concern (5)
21 Old woman tolerated by young Madge (5)



Solution to Crossword NO 609 JD

ACROSS: 1 Guardrail; 8 Ash; 9 Crackerjack; 11 Payload; 12 See 11 Down; 13 Tehran; 15 Strabo; 17 Range; 18 Ivanhoe; 20 Beg to differ; 22 Tau; 23 Rhinodons

DOWN: 2 UAR; 3 Dekko; 4 Abrade; 5 Leaflet; 6 Make a hash of; 7 Chaperone; 10 Anything but; 11 & 12 Across Paternity leave; 14 Avenger; 16 Tivoli; 19 Amigo; 21 Ein

On margin

Directions

An accountant, on his way to his folks for Thanksgiving, gets lost on a rural Wyoming road. He sees a local and stops.

"Does this road go to Laramie?"

"I dunno," the local replies.

"Is there a place near here with phone reception so I can make a call?"

"I dunno," the local says.

"Well how about a nearby drugstore or town – can you tell me how far away one might be?"

"No idea."

"You don't know much, do you?"

"No – but I ain't lost."

Marketing

Bill walks into a post office and sees a middle-aged man standing at the counter enthusiastically writing addresses on bright pink envelopes covered with hearts. The man then takes out a bottle and starts spraying perfume over them.

Bill's curiosity gets the better of him and he walks over to the man and asks him what he's doing.

"I'm sending out 1 000 Valentine's Day cards signed, 'Guess who?'" says the man.

"Why on earth are you doing that?" asks Bill.

"Because I'm a divorce lawyer," replies the man.

A man walks into a bar…

A guy walks into a bar and asks for ten shots of the establishment's finest single malt Scotch. The bartender sets him up, and the guy takes the first shot in the row and pours it on the floor. He then takes the last one in the row and does the same.

The bartender asks him, "Why did you do that?"

The guy replies, "Well the first shot always tastes like crap, and the last one always makes me sick!"

Two cartons of yogurt walk into a bar. The bartender says to them, "We don't serve your kind in here."

One of the yogurt cartons says to him, "Why not? We're cultured individuals."

Thomas Edison walks into a bar and orders a beer.

The bartender says, "Okay, I'll serve you a beer. Just don't get any ideas."

"Well, you did insist that we hire more *movers and shakers*."

Verbatim

Tom Eaton @TomEatonSA
Absa sponsored the Springboks R600-million over four years. Or R150-million per minute of attractive rugby.

Sham Jaff @sham_jaff
Turkey saying its airspace was violated and Russia saying it wasn't. One of them is sure lying or using Apple Maps.

Mark Barnes @mark_barnes56
Politics can only afford what economics pays for.

Gus Silber @gussilber
How could those meteorologists have got the rainfall predictions so wrong? If they were any worse, they would be economists.

snarkin pie @mamasnark
Basically, Trump is what would happen if the comments section became a human and ran for president.

Vasilis Girasis @vasilisgirasis
Broker to client: "I got your daughter pregnant."
Client: "WHAT!?!"
Broker: "Kidding, just lost R1m on Lonmin."
Client: "Oh, thank God!"

Palesa Morudu @palesamorudu
Poor #Ramaphosa is being supported by a limping #Cosatu and a practically dead #SACP to become president of SA. Good luck to him.

Darrel Bristow-Bovey @dbbovey
Fellow Capetonians, if you are feeling stung and slighted by Eddie Jones, console yourself by imagining what Jake White is feeling.

Songezo Zibi @SongezoZibi
Blade says "we shall continue to fight for free education". Fight with whom?

"All you need in this life is ignorance and confidence, and then success is sure."
– Mark Twain, American author and humorist (1835-1910)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